THE MAGAZINE OF WALL STREET

JUNE 24, 1933

What Is the Outlook for Higher Stock Prices?

By A. T. MILLER

Bank Deposits Guaranteed

By ROBERT H. HEMPHILL

Stocks That Have Not Yet Discounted Their Earnings Recovery

By The Magazine of Wall Street Staff

C. G. Wyckoff
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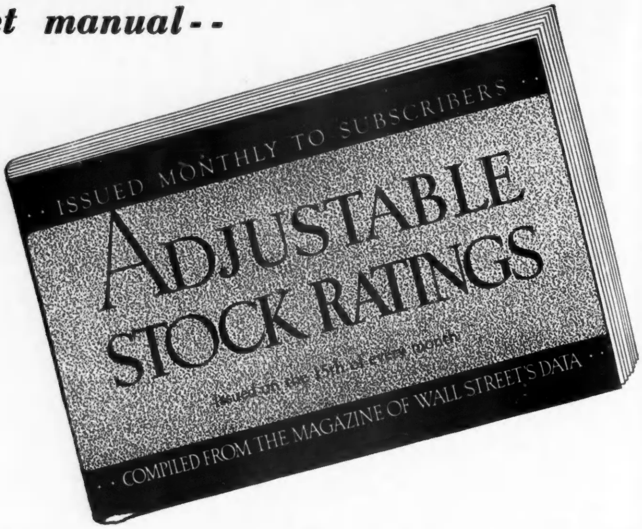

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Vol. 52 No. 5 **June 24, 1933**

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WITH THE EDITORS

This Changing World

OUR fundamental concepts of democratic government are being subject to drastic changes. Thomas Jefferson believed that the less government the better. His political heirs believe that the more government the better—and they are giving it to us today. Jefferson believed in a feeble national government, his heirs are enacting at Washington a score of measures to make it almost omnipotent. Thomas Jefferson stood for states' rights, his heirs are building up one of the most highly centralized nations in the world. Jefferson envisaged a free sovereign citizen, living his own life in his own way. His present-day followers can no longer imagine such a man.

We are in revolution, peaceful and orderly, to be sure; revolution by the will of the people working along established routes, but revolution none the less. The Jeffersonians say that now as 150 years ago the objective is the same, the good of the common man, that what they are doing is merely to extend the original violent Revolution into the domain of economics—that as the prior revolution made men politically free this one will make them economically free, even if by compulsion.

Whatever you may think about it, the fact can not be ignored, the set-up of this nation is being fundamentally altered. We are adapting ourselves to the world as it is. The moral for business is that it must face new and strange relations: internally, to the public, and to government. It must foresake its old freedom for itself and its tyranny for others. It should not mourn what is gone forever but take consolation from the fact that the Revolution of 1933 is the greatest experiment yet undertaken to reconcile capitalism and social justice. The individual business captain must part with some of his beloved ruggedness and even some of his independence. If he has to foresake the joys of economic privateering he can find some recompense in the prospect of a new dignity in the service of the public and the state, to whom are delegated responsibility as well as authority.

The socialization of business which was approaching even before the advent of depression advances a step further with the new power which the government now assumes. The field for individual talent and industry will be as wide open as ever, probably wider, but there is a new set of rules to the games of business and a different kind of goal.

In The Next Issue

Can Business Maintain the Pace?

—A Sane View of the Future Prospect

By JOHN C. CRESSWILL

This frank appraisal of the outlook takes into consideration the essential improvement which business has enjoyed and weighs the probabilities of its continuance, either at its present pace or at an accelerated tempo. It discusses the actual profit margins of industries from the standpoint of their present and prospective position and gives definite indications of how far prices may be expected to rise and the effect on individual companies. This timely feature carries a message of direct interest to every businessman-investor. No one can afford to miss reading it.

The Building Outlook—Boom or Continued Depression?

By M. DAVID GOULD

Can we have any sustained recovery in general business without an increasing volume in construction? An up-turn in this activity, coupled with the Public Works Program, will react to the advantage of certain companies in an outstanding manner. With the fact, on one hand, that residential construction passed its peak in 1925, and the admitted difficulty of obtaining new financing on the other, what is the outlook?

Is Present Steel Output Really Profitable?

By HERBERT C. SLATER

Necessitous buying has put steel operations to 47 per cent of capacity. Will this be sustained, increased or subject to a seasonal letdown? All companies are not profiting and will not profit in the same degree.

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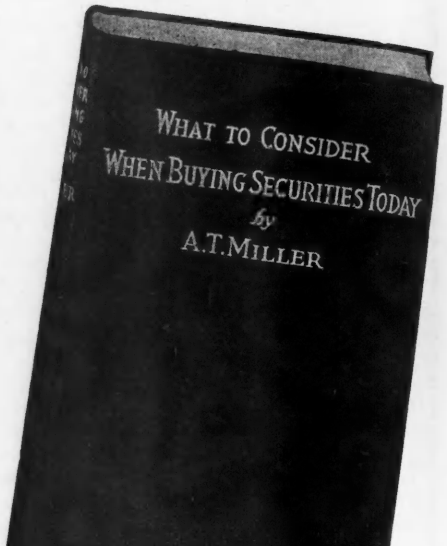

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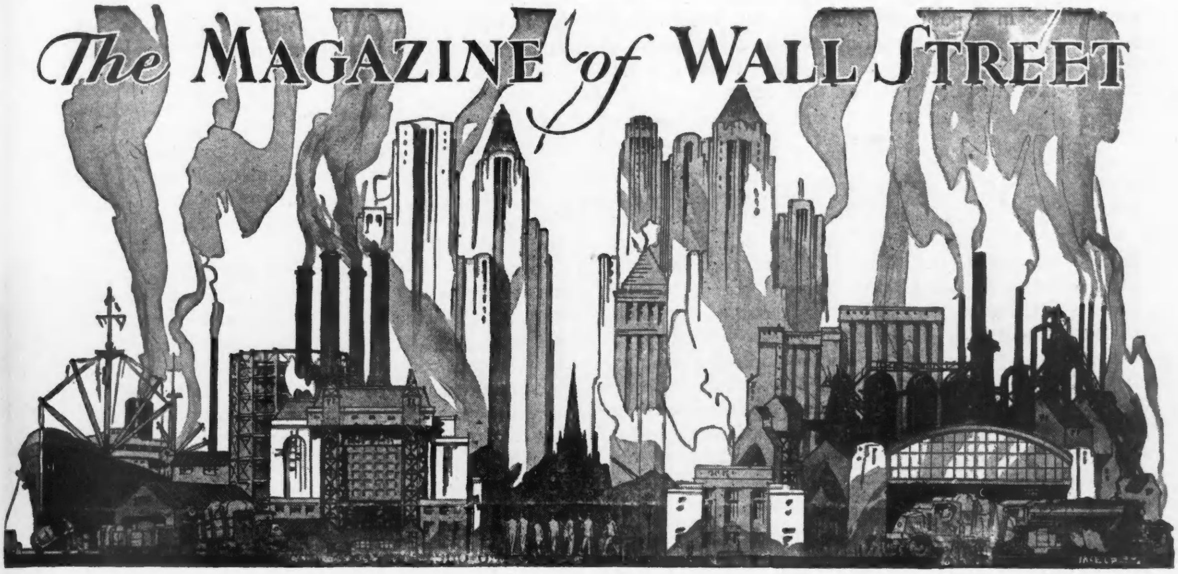

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Associate Editor

The Trend of Events

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—Bad Debts

—Inflation Without Inflation?

—Explorers All

—Reductions Not in Order

—The Market Prospect

NEITHER HOPE NOR FEAR

NOW that the International Economic Conference is at last in session the World neither expects so much from its acts or its failures as it did a few months ago. There is a growing disposition to conclude that it will not save the world and that the world will be saved despite it.

In view of the lack of agreement and confusion surrounding the conference's early consideration of the questions of stabilizing currencies and lowering tariff barriers it is perhaps a fortunate attitude that too much is not expected in the final outcome. Obviously the diverse interests of sixty-six nations are not susceptible to easy reconciliation. Then too, the industrial and central banking powers of Europe are vigorously opposed to the current American program which has resulted in a decline in the dollar with respect to other exchanges. There is too sizable a loss of trade advantage to England and continental nations attendant thereon. On the other hand, the American government is obviously committed to a policy of fostering a higher price level at home and will, therefore, countenance no agreements which jeopardize this result. Under the circumstances, our position will probably not be subject to much alteration despite the tactics of humiliation and belittlement to which we may be subjected in the foreign press or in the conference itself.

If agreement is not reached, and this is well within the realm of possibility, a super-nationalism may overtake the world. But if this is to be the final outcome we need not be overly concerned. We are well equipped physically to play at that game if the world so elects. They view that our prosperity is founded on foreign trade is being much less vigorously defended than heretofore.

Taking all these things into consideration, Americans can view the entire proceedings of the conference with equanimity. We no longer have the gold standard in pawn. We can and may declare an open and free market for gold when, and if, it seems desirable. We are embarked on a domestic recuperative program which is showing promise of success. Moreover, we have about liquidated all our stakes abroad in the sense

that they can imperil us. It will be some time before we shall be in a position to lend money with which to buy more foreign jeopardies. We shall be quite busy for the next few years lending at home what cash we don't have to spend on each other.

BAD DEBTS

PRESIDENT HOOVER remarked after a talk with his successor, just before the latter's inauguration, that Mr. Roosevelt was one of those who still regarded the war debts as an asset. We suspect that after the various defaults together with the fractional payments of Britain and Italy on June 15, nobody will consider the debts as packing much asset value. The debtors do not intend ever to make any substantial payments —gold, paper or silver. It is even doubtful whether they would pay in their own currencies, leaving us the problem of somehow, sometime, converting it into useful dollars. The chances are that they wouldn't even pay us in goods. They are "through."

Some hundred years ago Andrew Jackson got ready to send a warship to collect the French spoliation award. The French ominously sent a fleet of sixty sail to sea. There might have been a war. That is not done—any more—the collecting of any sort of international debt, public or private, by force. So, the Allies being determined to pay nothing more than a few face-saving dollars—and that probably by dollar loans floated in the United States—the war debts vanish.

In the end, then, we too are through. But we have not thrown up the sponge in futile despair. Defaulting debtors have been sharply reminded of their lapses. "You might better," we said in effect, "have paid first and talked modification afterwards." At any rate we presume to let the record stand until more pressing problems are disposed of. Unreceipted bills will not worry our debtors over much. And some day they may come in handy for us. Just now they are worthless, even as trading stock—as the International Economic Conference will probably demonstrate anew.

INFLATION WITHOUT INFLATION

THE way the tide is setting now, there is a bright prospect that we shall have no currency inflation; and a few months more may dissipate both the fear and the need of devaluation of the dollar. If those prospects are realized there will remain no reason for continued cheapness of the dollar. The persistence of the business revival into the summer gives reason to believe that it is the real thing. The comeback of business may be so real as to fill out any vacuum in prices of commodities and securities left behind by the rising dollar. All that was asked of a cheap dollar was rising prices and lightened debts. If we get them without debasing the dollar or recourse to the money-printing presses, why inflate? Maybe we can have all the delights of inflation in its early stages without the ultimate headache. The prospect of inflation may be accredited with giving us the kick of the actuality, and the natural processes of reflation may spare us its inevitable disaster.

EXPLORERS ALL

WITH Teddy, the phrase was "predatory wealth." With Hoover it was "rugged individualism." With the present Administration, the one word is "exploratory."

Secretary Woodin scotched the report of an exchange stabilization agreement with one word—"exploratory." The President has used it often and handily, coming by it, perhaps, from the brain trust. And now newly appointed Transportation Co-ordinator Eastman has disavowed czarism. His job, he says, is "to help the railroads in exploring all possibilities for avoidance of waste," etc.

Washington has gone explorer. Haven't we all. The exploratory attitude is a *prima facie* alibi, should one inadvertently stray up a River of Doubt. It cuts one loose from trailing responsibilities.

Let no one, therefore, charge Wall Street with lack of prudence under the "new deal." The stock market is only trying and testing how far it may safely proceed in advance of actualities. If it seems too little related to earnings and dividends, why it is merely "exploratory."

REDUCTIONS NOT IN ORDER

WHEN the 10 per cent reduction in the wages of railway workers became effective it met with general approbation. Indeed in view of the steady decline in living costs the compromise decrease was considered too moderate and further reduction were anticipated. Then we were in the depths of the great deflationary phase of the depression. Conditions are different today. Prices generally are in the ascendency, and the new proposal to reduce wages another 12½ per cent seems destined to catch railroad labor between the Scylla of increasing living costs and declining wages. It is doubtful whether the reduction can be made effective. It is debatable whether it is wise. Admitting that railroad revenues, present and prospective, still point to the necessity of rigid economies, it is also true that present indicated business recovery cannot be continued unless purchasing power is increased, which it will not be by further slashing in much sizable groups as the railroad employes.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 211. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, June 19, 1933.

What Is the Outlook for Higher Stock Prices?

Market Susceptible to Dual Influences of Dollar Fluctuation and Business News

By A. T. Miller

THE Kittyhawk of the national recovery program has been reached. And public confidence in the future upward trend of industry and trade is about to be put to a crucial test.

The legislative branch of Government having done its work of constructive planning, we are about to put the rather weird contraption to the test of practicality and see—as the Wright brothers did at Kittyhawk—if it will really fly. If it stands the gaff and takes the air steadily, under full control, perhaps history will again be made.

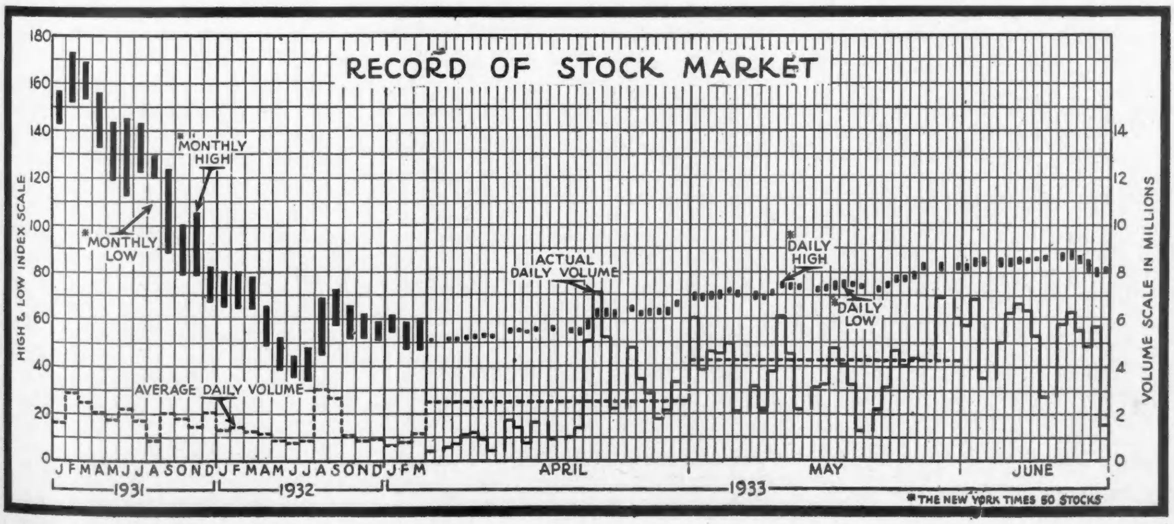
Eyes will be turned more searchingly than ever upon the Chief Executive and his staff and those business executives who will share the responsibility of making paper plans work out in practice. Although business was on the upgrade before March 4, there has probably been more public confidence in government during the last four months than in business. It is to be hoped that business leadership, from now on, through its co-operation with government leadership, will begin to recover lost esteem.

It seems likely that, from this point on, Wall Street will be more critical of actual progress. There is very little restraint to enthusiasm over promising plans, but when plans are put into operation results are likely to be viewed through more coldly calculating eyes. Already talk is heard that purchasing power is not keeping step with cumulating increase in production, and reviewers of the steel industry complain of the necessity of marking time on third quarter prices because of uncertainty as to the outworkings of the industrial control plan. These things will probably adjust themselves. But, with the aggregate value of all listed shares up 63.1 per cent from April 1 to June 1, speculators are taking less on faith and looking more to actual performance.

What Wall Street is most concerned about right now is the practical fate of the dollar—not the theoretical. When the dollar was sliding down the see-sawing chute of foreign exchange, nothing could be seen but higher stock prices the lower the dollar went. Then Professor Sprague was retained by the Treasury Department, and talk was heard of control, of Washington and London reaching an early stabilization plan. This, however, has been at least temporarily check-mated by the reluctance of the Administration to allow anything to interfere with the general price rise here.

To understand how much store the stock market puts upon the international valuation of the dollar, it is only necessary to recall that quoted values of equities have shown a weakening tendency every time the dollar has hardened—and *vice versa.* Being so sensitive to exchange fluctuations, the stock market is liable to have an anxious time of it, if currency management actually begins.

At its recent low the dollar reached a discount of nearly 20 per cent, as expressed in francs. One of the most severe and sustained reactions that has so far interrupted



the rising movement of stock prices came when, with Washington disclaiming agreement on ratios with the pound and franc, the dollar rose very sharply. The mysterious nature of the rise—although the continental short interest would seem to be sufficient partially to explain it—added to the distaste with which the stock market viewed it.

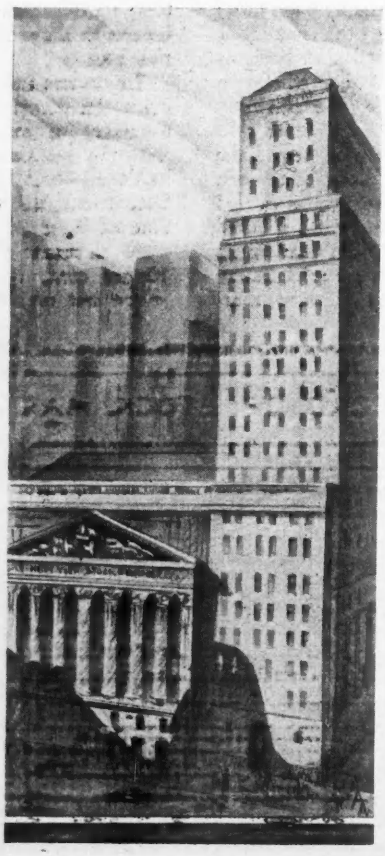
However, although a great deal of effective leverage has been exerted upon the quoted values of equities by the fall of the national currency, an important measure of uplift has been provided by the continuous stream of favorable news from general business. Steel operations have reached an average level of 47 per cent, as against the low mark for the year of 14 per cent, in mid-March. Railroads have reported the sixth consecutive week of traffic improvement, the latest week showing car-loadings up 12.5 per cent as compared with the same week a year ago. After a slight dip, owing to a recent holiday, automobile production has turned upward again. And electric power output has revealed the largest gain for any week since 1929.

There is nothing but reassurance in the picture as to production, but the evidence that consumer purchasing power has grown in the same proportion is not yet conclusive. Some encouragement on this score, however, is to be drawn from the fact that chain retail sales are beginning to show improvement, one low-priced department store group reporting a gain of 14 per cent in May over the month in 1932. And a large maker of electric refrigerators recorded a gain of 42 per cent in household sales for May of this year as against the month last year. In agricultural districts, wholesale business for fall delivery is said to be running ahead of any comparative period in the past three years.

But, fundamentally, there is the damaging fact that aggregate wages paid in May were only 40 per cent of the average in 1926. In the face of this discrepancy, the advances of 8.8 per cent in manufacturing employment and 11.5 per cent in payrolls do not seem so weighty. A general advance of 10 per cent in wages is proposed for the steel industry, but at the same time the rails are pressing for a reduction of 12½ per cent. Tire manufacturers have announced general advances.

All in all, there is ground for the feeling that wages and prices, purchasing power and production, in the grand uprush have got a bit out of step. And there is unquestionably a feeling in Wall Street, as well as in Washington, that the speculative movement of both stock prices and commodities growing out of the "flight from the dollar" has shown a tendency to outrun fundamental business improvement. Of course this is not an abnormal feature of recovery.

Technically, the stock market is none too well situated to take adverse developments, should they come from stabilization of the dollar or from temporary cessation or reversal in the stream of favorable business developments. Volume has increased greatly, the latest two weeks averaging in excess of 30,000,000 shares, against an average of around 21,000,000 shares for the previous six weeks. This mushrooming of activity, along with the greater prominence given to specialty stocks and speculative issues is suggestive of the climax of the current stage of the major upswing. Such a conclusion would not, of course, in any way alter the judgment that the long-term course of the market is decidedly upward.



Added to the monitory evidence of volume, there is the relatively large increase in brokers' loans in May as compared with the previous month. The May increase was $206,000,000, against about $11,500,000 in April. As compared with the peaks of the "new era" markets of 1928 and 1929, the aggregate is still not large, at little more than three-quarters of a billion dollars. But, with the price level what it is, and with a large proportion of cash buying, the public interest in the market is now considerably larger than appears on the surface.

Under the circumstances, both the Capital and the financial district would breathe easier, if the scramble for equities were to give place to a few weeks of relative quiet—a refreshing and strengthening pause. This may come about naturally, as a result of summer slackening toward the middle of July, before the quickening influence of fall business is felt. Or it may be brought about by developments at the World Economic Conference. The market's recent behavior when the damper was first put on stabilization reveals its sensitivity to London developments.

Of course, should the dollar be stabilized in relation to other exchanges, the stock market will lose what has been one of its potent stimulants. And if the dollar is successfully held within restricted limits, stocks may find themselves bound likewise to a restricted price range, pending the time that business catches up with them and supplies the needed forward impulse. If the stabilization point should prove to be below the recent range—say, 75 per cent—the market would get an upward kick for a time. And if stabilization should be a bit upward, the reverse might be true.

Geared, as stocks have been, to the dollar first, they have also been geared to those news developments that apply significantly to particular industries. Motors have continued to respond to reports of sales volume running ahead of anything since 1931, in some instances. The steel stocks have been helped by reports that the Pittsburgh district has been sharing more largely in the improvement. This turn is taken as an indication that something other than motor buying is beginning to appear, but it is still true that buying by railroads and for building construction remains rather light. Tire stocks found encouragement in the report that shipments to dealers have turned sharply upward, along with rubber consumption.

There is growing encouragement as to the railroad outlook. This group recovered quickly from the shock of the cut in the Atchison preferred dividend from a $5 to a $3 annual basis. It is becoming apparent that a large proportion of the current increase in gross revenues will be con-

(*Please turn to page* 246)

Washington Becomes the Capital of Business

Industry Control Act Makes Trade Associations Controlling Factor in Business Groups—Radical Legislation a Long Step Toward National Economic Planning

By Theodore M. Knappen

"THIS association will continue," said the manager of a great national industrial association to his staff, "but you will hardly recognize it a few months hence."

He did not expatiate but the staff knew what he meant. They realized that the Industrial Recovery Act would transform the association from a fifth wheel into the steering gear of the whole industry.

A similar realization has come to every business association—some of them like to call themselves institutes—and there is a ferment in every association in the country—industrial, wholesale, retail—with executives hotfooting it to Washington, and corporations suddenly remembering that they have an association or must have one pronto. From being (in the opinion of hard-boiled members) necessary nuisances, affording an opportunity for some honorary titles, pleasant fellowship gatherings, solemn correspondence and speechifying regarding the state of the industry—together with the bitter payment of dues—the associations have been suddenly transformed by another of President Roosevelt's spectacular and revolutionary acts into integral parts of industry—and key parts at that. It is universally grasped by all but the hopeless Bourbon chiefs of industry that the "new deal" has reached them with a bang.

Associations Get Real Power

Under the new setup of one-for-all-and-all-for-one the industry, as a group organism, becomes fully as important as the member corporations, however powerful. Every industry and every trade now becomes an officially recognized, self-governing economic unit of a national economic whole. The Government provides the authority and the supreme co-ordination. No industry is compelled to join an association—but few will desire to stay out of a body through which Uncle Sam speaks and, if necessary, commands. The concern which desires to go it alone may do so, but in traveling alone it will have to proceed according to the association rules of fair competition—or stay out of interstate commerce.

Obviously, the part of wisdom is to take a part in drafting the rules of the game and in administering them. Moreover, although the Industrial Recovery Act is an emergency measure, limited to two years, scarcely any student of it and of the trend of the times doubts that it inaugurates a new age of co-operation and co-ordination in business; virtually meaning the end of whatever is left of the old *laissez faire*, dog-eat-dog scheme of things economic. It is generally conceded that the new law represents the beginning —with a rush—of national economic planning.

It is intended to set up a partnership of government and industry with a view to the general ordering of business in such a manner that stability may be attained and maintained through a balance of supply and demand, correspondence of prices between different products and the maintenance of stable purchasing power—by providing a steady and continuous inter-exchange of products. In a word, it aims at making production the complement of consumption.

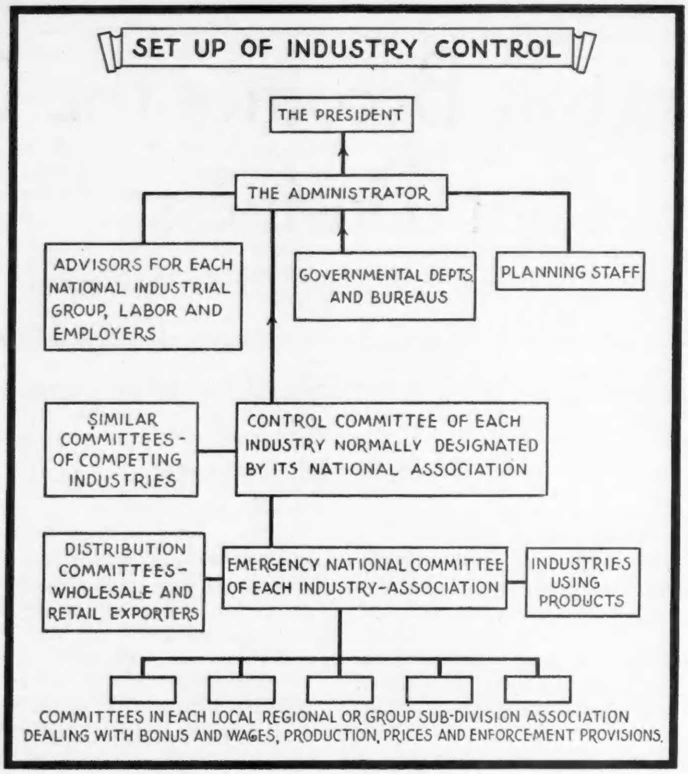
Stimulating Recovery

The general theory of the Act is that there is nothing the matter with business except that for a variety of reasons it is not busy and refuses to get busy. Many other acts of Congress aim at providing conditions under which business will become active. In time they might turn the trick without direct governmental intervention with the balky machinery of exchange of products. But time is of the essence of the social contract. After four years of spiraling depression an exhausted, nervous, irritable nation can not wait for the slow recuperative processes of nature. The moment may be more portentously critical than any one imagines. After all, the machinery of exchange of products —and that is all there is to business in its essence—is man-made and inferentially subject to man-made repairs and reconstruction.

Whatever may eventually come from what is done now—the present objective of the Industrial Recovery Act is to restore prosperity NOW—not several years hence. Notwithstanding the obvious recent improvement in business the situation has for the time being been made fundamentally worse. Value and volume of products are increasing without a corresponding increase of purchasing power. If the curves of things purchasable and of the wherewithal to purchase do not promptly begin to converge business may find that it has been blown up by the anticipation of inflation. Increased production must presently meet with a genuine consumptive demand or it will encounter a relapse which may be ruinous if not fatal.

The Industrial Recovery Act is in two parts which

were originally separate bills—(1) the control of industry in an organized, massed national effort to resume business on such a scale that resumption will automatically supply demand and consumption, and (2) a public works expenditure of 3,300 million dollars, designed to supply a sufficient volume of new and additional demand to give the business machine a starter, a primer. The control feature aims at repairing the business machine and keeping it in order, the public works feature aims at giving it something to turn the engine over with at the beginning. It is assumed that the motive power—call it, figuratively, the gasoline of latent demand—is present in huge quantity but the engine balks. The thing to do is to get the engine in such shape that it will suck the gasoline into the cylinders and then run automatically. The vacuum tank is dry, so the public works authorization fills it up; then the control act proper will see that the engine is kept in running order once it "takes hold."



Quick Results Expected

Public works expenditures are proceeding now at the rate of 100 million dollars a month, including state and national. Under the mammoth new appropriation another 100 million a month will swing into line by October—and more to follow. This will call a million men to work, directly and indirectly—so the theory runs; secondarily the payroll of these men will call two or three million men to the labor colors; and they, in turn, will summon others. By October the new, concerted bootstrap scheme of creating orders by creating employment will, it is hoped, run the number of re-employed men up to a grand total of seven millions. Then, we're off! Momentum will do the rest, with the Control Administration standing by to keep the national economic motor from jamming itself. The plan is to keep production costs in line as between different plants and different industrial groups, allocate business as it pours in, wherever feasible; advance wages and yet shorten working hours—and, of course, raise prices to profitable levels. Fair competition is to be the rule; at the same time it is not intended to rescue concerns that are already as good as dead, through their own fault or the progress of improvement and the shifting currents of the interplay of the general flux of economic conditions.

To do all this directly would require a policing army of civil servants running into hundreds of thousands. Industry must police itself, with the Control Administration standing in the background with a big club, which, it is hoped, will never have to be used. Here's where the associations come into the picture. Every industrial group must discipline itself in accordance with a general program of minimum wages, minimum prices, maximum hours, adjusted production. Each industrial group must prepare its code of fair competition to suit its own needs and conditions but always there must be a provision for collective bargaining between employers and employes regarding pay, hours and working conditions. The code must be submitted to the Control Administration for approval; getting that, it has the force of law—it is law. If labor clauses can not be mutually agreed upon the Administration will do the job itself.

There isn't a single word in the law about fixing prices—that would have a bitter taste; but "fair competition" implies fair competitive prices. Shorter hours and larger pay compel higher prices. It's price regulation and trade agreements, of course, that fascinate business with this phase of "the new deal." The hour-and-wage aspect is not so delightful to some of the hard-boiled. That is why, although monopolistic manipulation is forbidden, there must be a club for the sweat-shop fringe of industry, which grinds employes into the dirt and compels decent concerns to do likewise or be forced out of business. The law is based on the conception that the big payroll is the mother of business: create payrolls and you create orders. The plan would have been tried, even if the mills and shops had been required to expand or start with nothing in the order files; but with some current increase of business in almost every line, the great adventure in starting business by starting it has the "breaks" with it.

The Big Club

The big club in the background is the power to license the concerns complying with the codes and to refuse licenses to those which do not comply. The chiselling, unsocial, refractory element, found in every industrial group, will have to play the game or get out—so far as interstate commerce is involved. Naturally, the co-operating concerns will see that the rebels are found out and reported. That will be the collective job of the associations. They will have the regular contacts with the Control Administration; individual industries must "do business with Washington through them." They will be virtually departments of the Administration. Instead of being powerless and spineless organizations, always living in dread of some or

all of their members, playing group politics and "yessing" their members, they will become bodies with real power, standing between individual concerns and the Government and backed up by the latter.

Talk about government in business, here also is business in government—the most radical step ever taken in America to adjust social organization to a nation whose overshadowing interests have become economic rather than political. Every man is now an economic unit before he is a political one—from the standpoint of his own interests. But the power remains on the political side. Power and interest will now join together. Business and government tend to fuse. The political democracy evolves into an economic democracy.

Business Balks at Control

Although the law holds out the co-operation hook, appetizingly baited with suspension of the anti-trust laws whenever they conflict with its objectives and processes, the old, masterful individualism of the American industrialist balks at the licensing provision. Instinctively the manufacturer wants to run his own business; he would have no compulsion, he would have the marriage of government and business a companionate affair, based entirely on lofty intentions and good-will. Live together happily or quit.

The National Association of Manufacturers held an emergency meeting in Washington, invited General Johnson to address them. He pleaded for the license feature—the teeth of the bill. The audience listened enthusiastically and then voted 400 to 7—or something like that—to kick the license out, and figuratively marched up the hill to the Capitol to register its revolt with Congress. Thereupon Congress, finding that the big manufacturers were against the license section, restored it. The modern version of Jacksonian democracy reasoned that if the "fat boys" were against a teethy control it must be all right. Later the manufacturers' association changed its attitude. Anyway, all the big national groups and their associations are falling into line. Already, it is said, associations representing 70 per cent of the national industrial payroll, have enlisted for the war on depression.

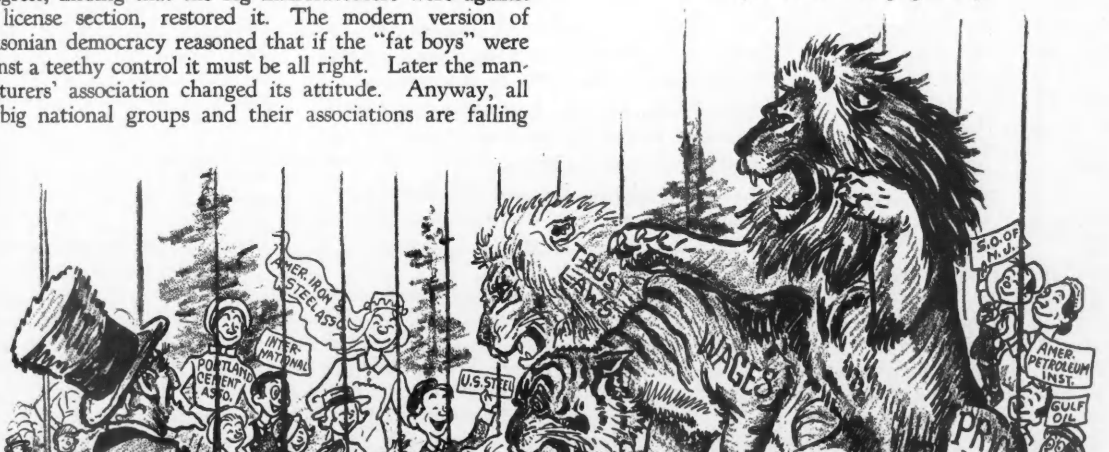
Washington as the Business Capital

As a portion of real power shifts from the corporations to the associations, so also Washington, already far on the way to becoming the business administration capital, leaps to an undisputed pinnacle of business dominancy. Associations are planning to remove their headquarters to the capital or are opening branch offices there. The hundreds of associations that had already done so are preening themselves on their acumen; they know all the governmental ropes, know the government executive personnel, know the subterranean ways of politics and government and are already full blast on the new road. Hotels are full of industrialists and office buildings are filling up.

The Business Czar

At the head of the amalgamation of government and business stands General Hugh S. Johnson, slated to be appointed administrator the moment the Industrial Recovery Act becomes law, and already for some weeks at work on the preliminaries. He will probably be the sole administrator, although there is powerful sentiment in industry in favor of a board. General Johnson is not. Plenty of advisors he will have, but decision in this war against depression, as in all successful wars, must rest with one man—and also the responsibility. He wants no board to argue and deliberate while the army is crumbling and retreating. One bad general is better than a dozen co-equal stars.

(Please turn to page 251)



Orphan's Benefit

Bank Deposits Guaranteed

What the New Banking Law Means to:

Investors — Depositors — Bank Stockholders — Business — Investment Banking

By Robert H. Hemphill

> **Objectives of the Glass-Steagall Law**
>
> 1. ***To secure safety for the depositor.***
> 2. ***To discourage unwieldy accumulation of idle funds.***
> 3. ***To eliminate the incentive for destructive banking competition.***
> 4. ***To discourage excessive speculation and manipulation of real estate, commodities and security markets through bank credit.***
> 5. ***To encourage thrift by providing greater safety for moderate savings.***
> 6. ***To encourage investment in government and other sound securities by prohibiting payment of excessive interest rates on deposits.***
> 7. ***To encourage the bank stockholder to take increased interest in the management of his bank.***
> 8. ***To compel the large depositor to demand bank management of high character and ability.***

THE Glass-Steagall Banking Reform Law is revolutionary in its conception. Its importance can hardly be overestimated. Not only is it designed to eliminate the outstanding defects and dangerous practices which the past thirteen years have thrown so prominently into the limelight, but in effect it creates a new, well rounded, finely balanced banking system, founded upon a new, logical, and safer banking theory. It is not to be compared from any angle with the abortive and amateurish deposit guaranty measures which have been from time to time enacted by various states. Neither is it to be considered as emergency legislation, although its enactment at this time was made possible by the acute situation which reached its climax last March.

Without examining tedious and technical details, we can appraise the importance of this measure and its bearing on our daily lives and business affairs by a consideration of three principal features: the guarantee of deposits, the provision for branch banking and the regulation of investment and commercial banking relationships.

The provision for guarantee of bank deposits is perhaps uppermost in all our minds. On July 1, 1934, the Treasury contributes 150 millions—the Federal Reserve Banks contribute one-half of their surplus as of January 1, 1933, and all commercial banks who are now or will later become members of the Federal Reserve System, contribute a sum equal to one-half of one per cent of their total deposits. For these contributions they will receive cumulative 6 per cent dividend stock in a huge insurance corporation, creating a vast fund far beyond necessity in any situation which can well be imagined. This Federal Bank Deposit Insurance Corporation will insure and guarantee immediate payment in cash of each bank deposit in its member banks —100 per cent of the first $10,000; 75 per cent of the next $40,000, and 50 per cent of the remainder if any; therefore, after this law becomes effective, if you carry $10,000 or less in your bank, or $10,000 or less in each of several banks, your deposits are unconditionally guaranteed 100 per cent. If you carry, say $40,000 in one bank, the first $10,000 is fully guaranteed, the remaining $30,000 is insured for 75 per cent or $22,500. If you carry $75,000 in one bank, the first $10,000 is fully guaranteed, the next $40,000 for 75 per cent or $30,000, and the remaining $25,000 for 50 per cent or $12,500, or a total of $52,500 against your $75,000. If the same $75,000 is carried in three banks, $25,000 in each, you are insured for $63,750. The size of the bank does not affect the safety of the deposit under $10,000. On this point, however, the law provides a minimum capital of $100,000 for member banks.

All banks, including mutual savings banks, may become members of the Federal Reserve System. Savings bank members will purchase insurance stock for 0.6 of one per cent of their total deposits, and have their deposits insured, and as savings banks universally limit deposits by one person to sums less than $10,000, all member savings bank deposits will be unconditionally guaranteed.

In commercial banks all accounts in one bank belonging to one individual arising from one right, will be considered as one account. You may have an interest in several accounts belonging to several separate firms or corporations in which you are a partner or stockholder, each of which accounts will be independently insured. You may be engaged in several separate enterprises and carry in your own name an account for each enterprise, and each account will be separately guaranteed in its own right. You will not be permitted, however, to split your individual account up and carry it in several departments, or under several different names or titles for the obvious purpose of keeping the balance in each account below $10,000.

Large corporations who require working capital of several million dollars will undoubtedly patronize a large number of banks. They will also no doubt, carry larger sums invested in government or other high grade bonds, always immediately salable or acceptable for quick loans. This is desirable both from the standpoint of the corporation, and the bank, as these very large accounts payable on de-

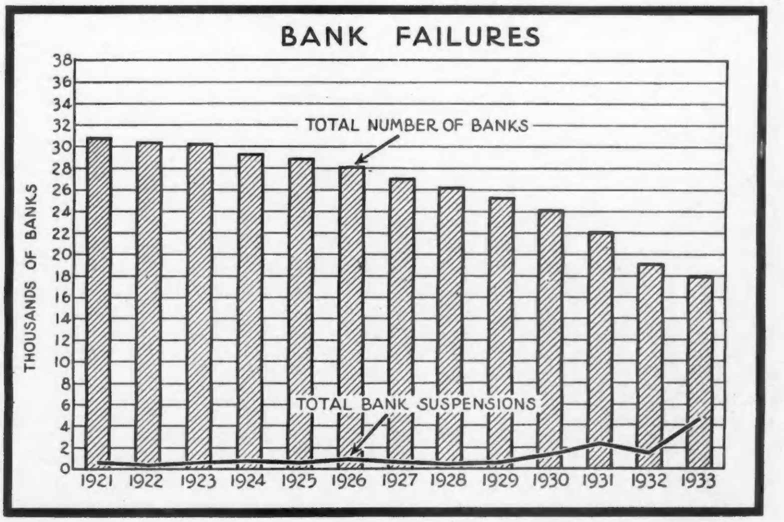
mand, compel the bank to keep them substantially in cash, or its equivalent, while the same amount in a large number of smaller deposits, obeys the law of averages, and the legal reserves is ample to provide their normal cash requirements.

All banking authorities are agreed that the centralization of large individual or corporate demand deposits presents a certain menace to any banking system which relies for its stability upon the normal operation of the law of averages, so that all measures which tend to decentralize bank deposits, especially those of large amounts, are strictly in keeping with the best and most advanced doctrine of banking and finance.

Another wholesome view of this system of deposit guarantee is that it fully protects the small depositor who is without the proper means of protecting himself, while the large depositors, who are entitled to and do constantly receive intimate information of the affairs of banks they patronize, and who are usually well acquainted with the management and personnel, and either employ or have access to expert technical advice, are in position to judge whether they are justified in assuming the risk incident to depositing very large sums in any one such institution.

In the event a bank whose deposits are insured becomes insolvent, the Comptroller of the Currency will appoint the Insurance Corporation as receiver. The corporation will immediately organize a new national bank, to which it will transfer the insured deposits of the insolvent bank, and furnish the new bank the cash to pay them.

In actual practice this proceeding can likely be concluded in a few hours, so that the business of the depositors will hardly be interrupted. The corporation will offer the stock of the new bank first to the stockholders of the old bank, and next to the public, but will continue to operate the new bank until its stock is all sold and proper directors and officers are elected. In the meantime, the new bank may accept new deposits, but all deposits will be held in cash until the bank is turned over to the new stockholders. The corporation will then liquidate the affairs of the old bank, reimburse itself for the cash advanced to the new bank to pay the insured deposits, and the remainder will be paid to the large depositors against the uninsured portion of their deposits, and the excess, if any, to the stockholders of the old bank. The corporation will be a conservator as well as liquidator. There will be no forced or hasty and wasteful liquidation. The corporation may purchase the slow or frozen assets, refinance them, loan the debtors additional funds if necessary, and work these matters out over a long time period, which a bank receiver could not do.



Inasmuch as the losses, if any, will fall first upon the stockholders, who are directly responsible for the management, and next upon the large depositors, who invariably exercise a considerable influence upon the management of any bank, this system of deposit guarantee cannot result in promoting reckless or unsound banking practices as is so often argued, but on the other hand, it is logical to believe that keeping the safety of the small depositors constantly in mind, will encourage the stockholders and the large depositors to insist upon increased competence and integrity in their managing officers.

From the banker's angle, once this law is in operation, no bank can afford to be without this insurance. Human nature is such that once having offered the depositor absolute safety for his savings or working capital, no bank which does not offer this advantage could successfully compete, no matter how long and honorable a history such a bank might have. Also, with bank deposit insurance available to banks worthy of such protection, any bank which did not carry such insurance would be open to the suspicion that it could not make the grade.

From the insurance angle, insolvency of an insured bank automatically freezes 25 per cent of the excess of each deposit above $10,000, and 50 per cent of the excess above $50,000, but releases immediately all the remainder. From the history of salvage of insolvent banks in the past, even under the wasteful methods employed in liquidating them, it is evident that the insurance corporation actually undertakes little if any risk. The argument that sound and properly managed banks will suffer substantially from this limited deposit insurance feature is without foundation.

Of almost equal importance, the new law provides for state-wide branch banking by national banks in those states which do not prohibit it. The argument for and against branch banking with such a satisfactory bank deposit insurance law in force, becomes more directly a question for the banker, the investor in bank stocks, and the borrower, than for the depositor. The superiority of the branch banking system to serve its customers and to extend proper credit to the industry and commerce of the territory it occupies, is so obvious and well known that it hardly needs comment. The locally owned independent bank suffers with the community and is therefore unable to extend credit during a temporary period of local depression when it is most needed. This feature is of major importance to every community, and therefore, to every citizen.

The investment of the bank stockholder in a locally owned independent bank, even though managed with the highest skill, is constantly in danger of impairment by crop failures, floods, or local disasters governed by the forces of nature or other causes over which we can have no control. In contrast,

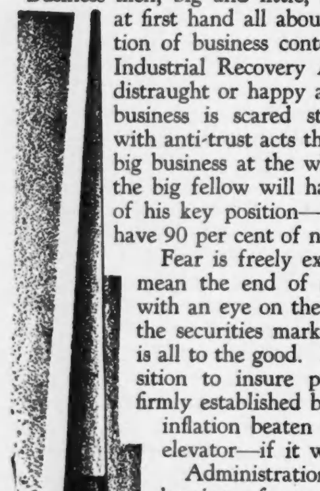
(*Please turn to page 246*)

Intimate Letters of a
& His New

WASHINGTON, June 10, 1933.

DEAR PERRY:

Business is good in Washington—almost occupying beds in shifts at the hotels. Seems as if a Business Expedition Camp may have to be established on the Anacostia flats.



Business men, big and little, are flocking here to learn at first hand all about the astounding socialization of business contemplated by the National Industrial Recovery Act. They are confused, distraught or happy as the case may be. Little business is scared stiff. Fears its Waterloo, with anti-trust acts thrown into the discard and big business at the wheel. It is inevitable that the big fellow will have an advantage, because of his key position—10 per cent of companies have 90 per cent of national payroll.

Fear is freely expressed that the Act will mean the end of small business enterprises with an eye on the national field. But from the securities market point of view the Act is all to the good. Seems to me like a proposition to insure profits and wages for all firmly established big concerns. If so, it has inflation beaten a mile as a stock market elevator—if it works.

Administration is frightened by ballooning of commodity prices. Fears a midsummer crash unless millions of men can be put to work—higher prices and unchanged consumption power are pulling against each other. Latter must be pulled up at any cost. My guess is that it will be. I predict that every effort will be made to hold back prices of finished goods and put emphasis on increased volume for them. Big and thorny stick being cut for retailers.

Had a talk with General Johnson the other day; can't quote him but judge that when he gets hold of the wheel things will happen in Washington even faster than they have been. Business has been yowling for a leader—it will soon be yowling because it has one. Wouldn't be in his shoes for any price; in public esteem he will be a total flop or a superman within three months.

Think of telling a manufacturer who has been living on low wages that he must shorten time and increase total payroll without waiting for the wherewithal to come in! Banks will have to loosen up. May be good for them to discover that commercial loans are considered a legitimate banking function. If they don't see a great light the Federal Reserve will give them a jolt; it's just another government bureau now—state banking in disguise. Page Tom Jefferson in the Elysian fields and carry the glad news to Karl Marx in purgatory!

Gosh, Perry, do you get onto what is happening? Bunch of college boys enthusiasts, fanatics and theorists running this colossal government of ours. All the former brass hats in the shadow looking cross-eyed at each other. Surest sign of mental dumbness in Washington today is a fat bank account. The "profs" say that acquisitiveness is a faculty that feeds on intelligence. Don't know but what they're right. Guess we have been confusing cash with brains. Anyway, you're not deserted in Washington these days the moment you intimate that you are the proud possessor of an idea. But boys are always enthusiasts—and enthusiasts are always boys.

Absolutely juvenile things are being done here by men with whiskers—if they were fashionable. Look at the boner Col. Howe and Fechner pulled on that conservation toilet kit thing. Just two kids who are having the time of their lives. One joyously demonstrating that he is the President's alter ego, and the other pouring $200,000 into the lap of a high-pressure salesman with the zest of a boy at the circus with a whole dollar to spend. Kids have been whipped now, and solemn old army quartermaster department will sedately and grimly do the buying hereafter. Lesson cost about $100,000 but that's cheap education for green hands fooling with a 25-billion-dollar machine.

Will it ever happen again—amassing of a railway empire with a shoestring of $500,000? Van Sweringens confessed to the Senate investigating committee that's what they did. Forty millions of profit on next to nothing and no income taxes paid. That may not be quite accurate but it's an impressionistic picture. Now I understand why the Van Sweringens were the super-sphinxes of the business world. Afraid to make a conversational start for fear they couldn't help telling the fascinating but perilous truth that makes all business romance pale. And all they get for caution is compulsion to tell the story in a white-hot national spotlight. No wonder O. P. blurted out in the session the day he recovered his lost memory: "These investigations are terrible for business—No, I don't mean that, but—"

Morgan "revelations" drag on into paralysis of public's sensory nerves. Grand smash of the sensation is over. I hear radicals in Congress wish investigation had concluded the minute the public reeled at the news that a score of the richest men in the world hadn't paid a cent of income tax in three years. Nevertheless the great days of the House

Washington Journalist York Broker

of Morgan are over. This country is being run from Washington now.

As I write President is in awful danger of a slap in the face from Congress. Human machines in the Veterans Bureau began throwing sick men out of hospitals and slashing the pensions of war-wrecked men to nothing. Friends, relatives and localities boiled with anger. Kicks were piled up on Congressmen. Result, economy plan dented half way across, perhaps more taxes and the passing of the marvelous Roosevelt legislative mill. Whatever happens it must be admitted that letting the economy bill drag along for months after it could have been slipped through was somebody's awful error. But makes me feel more friendly toward the men in power. I can admire but I can't love perfection and spotless success.

Say, Perry, why is the dollar falling so fast in francs and pounds? Washington would like to know. Wanted it to fall, but is afraid it's going through the bottom. Can't understand it—expected it to rise. Perhaps these buoyant boys down here have a lesson to learn in regard to the psychology of a national reputation for keeping promises and living up to contracts. French friend here laughs at me. France, he says, deferred a 19-million obligation while U. S. has brutally ripped up a hundred billion obligation and pulled down the pillars of world confidence. Just the same, buy dollars!

As ever,
Don.

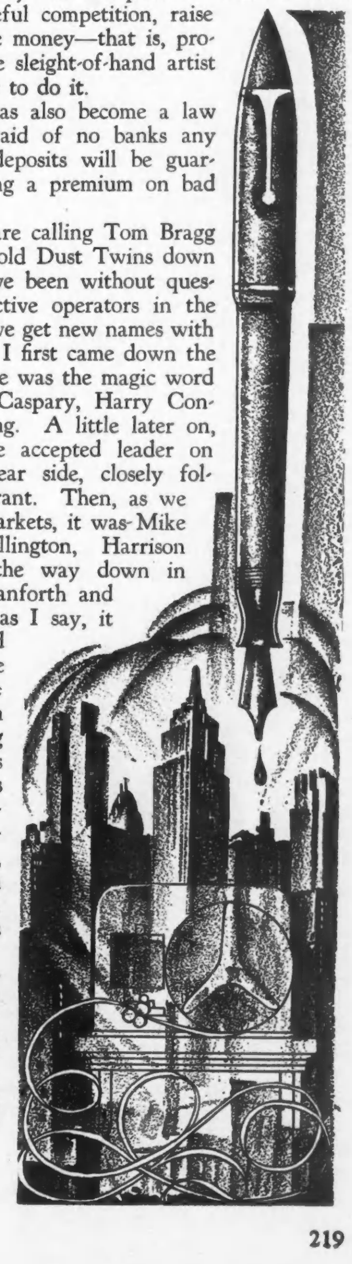
NEW YORK, June 16, 1933.

DEAR DON:

Pretty soon you won't have anything to write about. Congress has adjourned and the President is ready to take a vacation. What are you going to do with your idle time? Undoubtedly, most of the Congressmen and Senators will be going to their respective homes, which they have not seen in such a long time that their immediate families and constituents won't even recognize them. Don't forget that this Congress was convened at a time when the dollar was still 100 cents and convertible for a gold piece. Just think of what has happened in the past three months! Now the dollar is 84 cents and convertible into paper.

I am here to tell you that anybody that tells you the public is *not* in the market is not telling the truth or doesn't know what he is talking about. The public is in the market good and plenty and the increase in brokers' loans does not even tell half the story. A terrific amount of cash has gone into the stock market. I have had personal experience along these lines and by the way, if you will look at your circulation figures for May, which I think showed a decrease of about 180 million dollars, you have a double answer. In the first place, it proves that a lot of cash has come back into the market. In the second place, it also proves that our inflation talk has thus far been entirely talk and nothing more. We have during the last two months had no currency expansion, but currency contraction. That is why, the day the figures came out, I ventured the opinion that sterling would have a good crack. At this writing, it is down about 15 cents within two trading days.

As this letter is written, and if I do not mail it to you for a couple of days, pardon me because I may have something else to say, we are about to have the milennium. This Industrial Recovery Bill has passed. We will now try to eliminate wasteful competition, raise wages and make more money—that is, provided we can find the sleight-of-hand artist who can show us how to do it.



The banking bill has also become a law and one need be afraid of no banks any more, because your deposits will be guaranteed, thereby placing a premium on bad banking.

By the way, they are calling Tom Bragg and Ben Smith the Gold Dust Twins down here because they have been without question the two most active operators in the market. Funny how we get new names with new markets. When I first came down the Street, James R. Keane was the magic word Then it used to be Caspary, Harry Content, and Joe Manning. A little later on, Livermore became the accepted leader on either the bull or bear side, closely followed by W. C. Durant. Then, as we came into the 1929 markets, it was Mike Meehan, Duke Wellington, Harrison Williams, etc. On the way down in 1930-1, it was Bill Danforth and Ben Smith and now, as I say, it is Tom Bragg and Ben Smith on the up side and, by the way, Caspary, whom I mentioned as being one of the big traders a long time ago, is still very active, although not so prominent. Of course, through it all and with a few vacations, B. M. Baruch has made his presence felt.

Business has never been better than good —it has been swell, which is quite different from what I was writing to you three months ago and we all hope it keeps up.

Yours,
PERRY.

Dynamite in Foreign Exchange

Will Attempts to Peg Currencies Prove Successful? — Long-Term Repercussions Are Ominous

By Henry Richmond, Jr.

WHATEVER the agreement at the World Conference on stabilization of currencies, unless vigorous measures—dangerously forceful measures, going further than anything we have done as yet—are taken to prevent it, one of these days the dollar is going to rise so far and so fast in foreign exchange markets that much of the controlled economy we carefully plan will crash like a house of cards. It may not be this year nor next, but sooner or later such a movement appears inevitable.

There is something illogical and unstable about a depreciated dollar. Here we are, the greatest creditor nation in the world, currently exporting moreover a greater quantity of goods than we import, and trying hard to export a still greater quantity. At the same time, we are contracting our invisible imports such as tourist expenditures, payments for shipping services and immigrant remittances, and have taken such a dislike to foreign securities that to offer them, except in the most exceptional case, would be considered a joke. The world needs dollars to pay principal and interest on American held obligations. It needs dollars to pay for the excess of merchandise which the United States exports. By the contraction of its source of supply through our dwindling visible and invisible imports, why is it not a seller's market for the owner of dollars? Why is the dollar not in the clouds with the world bidding frantically?

Fundamentally, of course, it *is* a seller's market for the owner of dollars. Until the present year, the dollar was intrinsically and actually the strongest money in the world. This was the normal relationship and we might have made an excellent thing of it, but we permitted our pre-war debtor mentality to rise to the fore. We followed policies which made the dollar too "dear" both at home and abroad. And when inevitably the domestic strain became terrific, we took artificial rather than normal measures to cheapen it. We threw the gold standard out of the window and embarked upon a national policy of inflation.

Yet, although the dollar has been cheapened—it recently sold at a discount of more than 20 per cent to the few remaining gold currencies and sterling at one time sold almost to $4.20, compared with a low of $3.14½ last November—it has been a cheapening based on fear. Not, of course, that the situation is entirely devoid of grounds for anxiety, but it might be noted that fear is something which seldom stays at the panic stage for any length of time. Normally, the world keeps large liquid balances in the United States. Owing to the fear which we ourselves have promoted. these balances have been withdrawn to an absolute working minimum. Also, our own business men have shown a disposition to leave abroad funds, derived from exports and in payment of services, instead of bringing them home. But more important than either of these factors in the cheaper dollar has been the actual flight of American capital from these shores and now for the first time in recent history the United States is a large creditor on short-term capital account.

How long can this pressure on the dollar last? Foreign withdrawals have about reached their limit. Businessmen cannot forever go on leaving their working capital abroad and, although the flight of other capital can continue perhaps for some time, it too has a limit. It is clear that the groundwork has been laid for a violent counter movement which could not fail to have disastrous effects.

That such a counter movement, which would be carried out through the medium of toppling exchange rates, would prove extremely embarrassing cannot be questioned in view of last week's happenings. Though one admits that the stock and commodity markets here were in a somewhat vulnerable position, following their almost uninterupted rise, it took only published reports of an agreement to attempt to stabilize the principal exchanges for the duration of the World Conference, to cause a sharp recession. In view of this, one could well imagine what would happen to our security and commodity markets were the pound sterling, for example, to jump any stabilization forces that there might be and dropped fifty or a hundred points suddenly. Great Britain as our largest customer exercises a powerful influence on the price of many of our important products. As soon as the pound dropped, cotton, wheat and a hundred other things

(*Please turn to page* 249)

Balance of United States International Payments—1932

	(000,000 omitted) Credits (Exports)	Debits (Imports)	Balance
Merchandise & Merchandise adj	$1,717	1,470	+247
Freight & Shipping	73	118	— 45
Tourist, Imig. Contrib. & mis. invisibles	155	648	—493
Int., Div., Commissions, etc.	461	68	+393
Gov. trans. & War Debts	130	101	+ 29
Gold & Currency	860	951	— 91
Short-term Capital	...	371	—371
Long-term Capital	862	645	+217
Errors, omissions, etc.	114	...	+114
Total	$4,372	4,372	

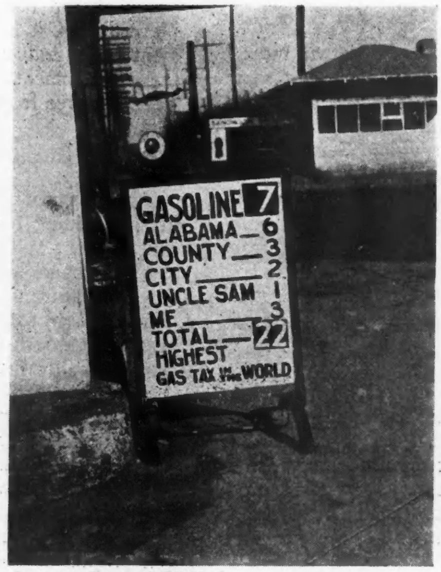
Are Oil Difficulties at An End?

Investment Outlook Much Brighter and Higher Prices Indicated as Offending East Texas Production Subsides and General Control Through New Legislation Approaches

By N. O. Fanning

TWO factors most popularly cited to account for anticipated improvement in the oil situation are the decline in "bottom hole" pressure of wells in the East Texas field, resulting from the current orgy of overproduction, and secondly, the contemplated action by Congress designed to control oil production and raise prices.

Conservative oil men, it should be stated here, do not like to feel that the industry can be brought out of its ruck only through governmental action. The idea is not only distasteful to them as possibly reflecting on their own abilities, but frankly they do not regard that kind of improvement as permanent. Hence, they are inclined to regard the situation in East Texas as the one which can alone bring about the long awaited stabilization. They believe that once East Texas is removed permanently as a menace, and a strong basis for an advance in crude oil prices has been established, then, at that psychological moment, the Government can step in, through the agency of the Industrial Recovery Law or perhaps later through the special oil control bill, with the maximum degree of effectiveness.



Courtesy, Standard Oil N. J.

The current overproduction orgy in East Texas began about April 25, since which date the field has been producing crude oil at the rate of over 1,000,000 barrels daily. During the intervening period many operators have been flowing their wells at capacity, not only in violation of state pro-ration regulations, but also in violation of all the sound rules of engineering and economics as applied to petroleum conservation. The reaction was almost immediate. "Bottom hole" pressure—the hydraulic pressure at the bottom of the producing wells which send the oil up the drill stem to the top of the well in a natural flow—has dropped almost constantly since that day, at a rate which has affected hundreds of wells already, not only reducing their natural flow but forcing many of them to be pumped. The significance of the necessity of pumping is that it is a much more expensive process of producing oil than by natural flow, and also that it is impractical to pump wells at the rate of more than one or two hundred barrels a day each, due to the high cost, which, in turn, means that many of the producers who have violated pro-ration by forcing their wells to the limit will undoubtedly hesitate to apply the pump to obtain only a relatively small quantity of crude oil each day. Pumping can only be carried on at a loss based on the present price of 25 cents a barrel for crude.

It is interesting that at present, although the posted price of crude oil in the East Texas field is 25 cents a barrel, it has been impossible to buy crude oil in storage at that figure. Operators realize that the overproduction cannot last, and that in the near future, the price of oil is bound to advance.

How will the removal of East Texas permanently as a menace to oil stability affect the established oil companies?

In the first place, records show that most all the other oil fields of the United States and abroad are controlled by a relatively small number of companies. Probably the names of fifteen companies would represent control of over 50 per cent of the crude production of the world outside East Texas. Naturally it is the organizations which have conserved their oil properties against the day when the competitive, uneconomically developed areas are largely exhausted, that will benefit most. The ten dominant oil producers in Texas are the Atlantic Refining Co., Big Lake Oil Co. (Plymouth Oil and Texon Oil & Land), Gulf Oil Corp., Humble Oil & Refining Co., Socony-Vacuum Corp., Ohio Oil Co., Shell Union Oil Co., Standard Oil Co. of Indiana, Texas Corp. and Yount-Lee Oil Corp. In California, Standard Oil Co. of California, Union Oil Co. of California, Shell Union Oil Co., Seaboard Oil Co., Tide Water Associated Oil Co., Texas Corp. and Socony-Vacuum are the leading producers.

The large South American oil holdings cannot be overlooked. In Venezuela, a relatively small group produce 90 per cent of the crude oil. These are Pan American Foreign Corp. and Creole Petroleum Corp., both controlled by Standard of New Jersey; Colon Oil Corp.,

Venezuelan Oil Concessions, Ltd., and Caribbean Petroleum, all controlled by Royal Dutch-Shell; the Gulf Oil Corp. and British Controlled Oilfields, Ltd. In Colombia there are two large oil concessions under development, one of which, the DeMares concession, is owned by International Petroleum Co., Ltd., and the other, the Bareo, by Gulf Oil Corp. and Carib Syndicate.

The principal oil refining and marketing companies in the United States will benefit from higher prices, insofar as the increase in crude can be passed along in the form of higher wholesale and retail prices for gasoline and other petroleum products.

Anticipation of this has already found reflection in the improvement in the prices of oil shares; but if the industry once succeeds in getting control of its own tendencies toward excess production, and a more favorable price level for petroleum products is established, there is prospect of much greater price enhancement in the stocks of the stronger companies. This prospect moreover is brought nearer by recent legislation.

Federal Oil Legislation

Efforts to pass federal oil legislation of a rather radical nature at the special session of Congress failed, but some degree of regulation is involved in a special amendment to the National Industrial Recovery Act. This amendment gives directly to the President of the United States power at his discretion to prohibit interstate transportation of oil produced in violation of state laws, and also the power to regulate pipe line rates and in the event of "unfair practices" on the part of the pipe lines, to divorce them from their holding organizations.

The oil regulations contained in the National Industrial Recovery Act, passed in the special session of Congress, are as follows:

Section 9. (a) The President is further authorized to initiate before the Interstate Commerce Commission proceedings necessary to prescribe regulations to control the operations of oil pipe lines and to fix reasonable, compensatory rates for the transportation of petroleum and its products by pipe lines, and the Interstate Commerce Commission shall grant preference to the hearings and determination of such cases.

(b) The President is authorized to institute proceedings to divorce from any holding company any pipe line company controlled by such holding company which pipe-line company by unfair practices or by exorbitant rates in the transportation of petroleum or its products tends to create a monopoly.

(c) The President is authorized to prohibit the transportation in interstate and foreign commerce of petroleum and the products thereof produced or withdrawn from storage in excess of the amount permitted to be produced or withdrawn from storage by any state law or valid regulation or order prescribed thereunder, by any board, commission, officer, or other duly authorized agency of a state. Any violation of any order of the President issued under the provisions of this subsection shall be punishable by fine of not to exceed $1,000, or imprisonment for not to exceed six months, or both.

No doubt a considerable section of the oil industry will be disappointed that the original oil control bill was not passed. This bill provided for control by the Secretary of the Interior of oil prices, as well as control of interstate shipments of crude petroleum or refined products. It also provided for regulation of oil production and drilling. Nevertheless, it is believed that the more conservative element in the industry will be relieved to find that following the adjournment of Congress, the oil industry remains relatively free from the iron hand of government control.

Relaxing Anti-Trust Laws

At the same time the other provisions of the Recovery Act, providing for temporary relaxation of anti-trust laws and allowing voluntary agreements in industry, will enable the petroleum industry to take steps which will go far toward restoring stability. The road has been paved for consolidation, including notably such proposed mergers as that of Standard Oil Co. of New Jersey and Standard Oil Co. of California. The right to make voluntary agreements, with certain restrictions, and to eliminate certain types of price-cutting, will certainly aid the oil business to restore order both in the production of crude oil and in the retail marketing of gasoline.

The importance of stabilization of the oil industry, either by natural or governmental agencies, obviously depends upon the extent of any advance in prices for crude oil and refined products which it would bring. It means that many organizations, including those which are among the strong-

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Leading Oils Compared

	Capital & Surplus Dec. 31, '32	Funded Debt	No. Shares Common Outstanding	PER SHARE FIGURES Net Earnings	Net Quick Assets	Inventory	Book Value
Atlantic Rfg.	$118,110,924	$14,070,793	2,696,642	1.45	12.95	7.59	43.79
Barnsdall Corp.	23,987,667	None	2,258,779	(Def.) .37	1.29	.90	10.62
Phillips Petrol.	130,632,069	31,326,500	4,153,104	.18	3.26	3.23	31.45
Shell Union Oil	233,672,821	91,141,500	13,070,625*	.05	4.56	2.90	17.88
Socony-Vacuum Corp.	853,759,878	88,687,021	31,708,469	.16	7.52	4.86	26.92
Consolidated Oil	260,750,977	59,528,643	14,218,835**	.11	7.16	4.30	18.33
Continental Oil	69,197,472	8,726,000	4,738,593	(Def.) .30	5.75	3.90	14.60
S. O. of California	550,844,825	None	13,102,900	1.06	6.16	4.21	42.04
S. O. of Indiana	625,963,116	37,140,256	15,941,894	1.03	12.76	6.50	39.26
S. O. of New Jersey	1,164,080,532	207,245,001	25,740,965	.01	17.37	8.32	45.22
Texas Corp.	380,633,082	109,804,745	9,851,236	(Def.) .21	13.54	9.35	38.62
Tide Water Assoc.	69,805,005	8,384,000	5,611,040***	.13	6.73	4.56	12.44

*Also $40 million preferred. ** $11.6 million preferred. *** Also $66.6 million preferred.

BONDS

Sustained Strength in Bonds

High Grades and More Speculative Issues Give Promise of Continued Firmness in Price

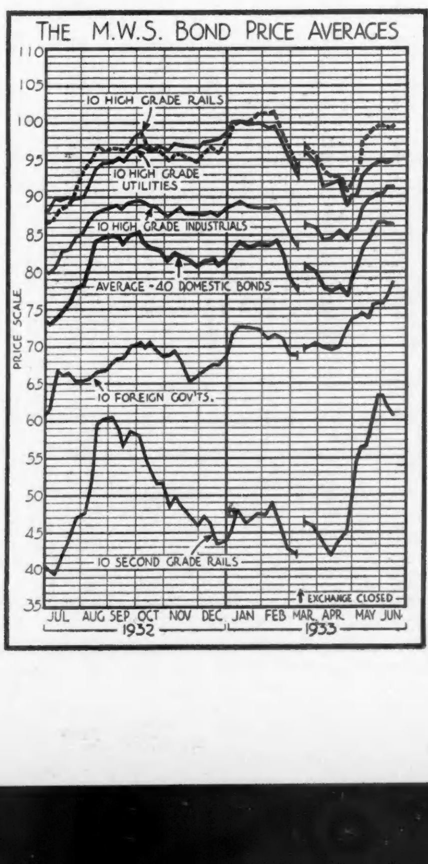
By J. S. Williams

THE bond market is particularly interesting at the present time for its apparent contradictions. The Government has committed itself to inflation as a feature of national policy and owing, partly at least, to fear for the future of the dollar there has been a general rise in commodity prices which threatens to go further. Thus, it appears indeed curious that the price of United States Government and other high grade bonds has been well sustained in the face of an extremely likely prospect that a purchaser at current levels will obtain dollars—when he comes to sell his investment or it is redeemed—of less real value than those he gave.

Yet, while some explanation is needed, it is a fact that the declining tendencies of high grade bonds under inflation have been much exaggerated. The tendency is there, of course, but it is a much weaker force than is generally believed under anything except the wildest and rankest kind of money expansion. There is ample precedent for this statement. For example, England's abandonment of gold was followed in a short while by very substantial appreciation rather than depreciation in gilt-edged issues.

Specifically, it seems that even though some depreciation of the currency is almost a certainty there are always a sufficient number of institutions and individuals so situated that the ability to turn their investment into a given number of units of money is worth more to them than the loss of purchasing power. It may be, for example, that an individual be holding a considerable sum of money for a specific purpose, partly contracted for. Pending final arrangements he would be much more likely to invest in high grade bonds than to purchase stocks or commodities to protect himself against depreciation of the dollar, for adverse and merely temporary fluctuations might nullify all his original plans. Then again many institutions are prevented by law from investing in anything but the best bonds. Finally, in our own particular case there is the fact that the Federal Reserve Banks are committed to a policy of purchasing further large quantities of governments. This naturally supports their market and indirectly the market for every other high grade bond. Also, these purchases of governments on the part of the Reserve Banks make for easy money and thereby afford further support.

This covers the buying side of today's high-grade bond market. On the selling side it will be found that there is no abnormal pressure on the part of institutions, for most of them are not interested in the dollar's purchasing power and it is, of course, institutions which hold the greater part of such issues. As for the selling which might come from individuals who *are* interested in the dollar's purchasing power, this it would seem is easily offset by the bank and other institutional buying constantly coming into the market. It might be noted also that high-grade bonds other than governments now have a scarcity value, for so many bonds previously thought gilt-edged are now distinctly second grade.



With considerable buying power in the market and no very violent selling pressure, the current strength in high grade bonds is understandable. And that the market *is* fundamentally strong is clearer than ever, if consideration be given to the way in which the recent Government financing, *sans* gold clause, was carried out. There is no reason to suppose that the factors which currently are making for a strong market in high grades will change to any great extent over the near future and it is even within the bounds of probability that higher prices will be seen.

Nevertheless, this is not to say that gilt-edged bonds will be satisfactory investments for most individuals. Though their price works even higher than present levels, the probable loss of purchasing power in both principal and interest will be an important consideration to the majority of investors. It is likely to be a mistake for these to add to their investment portfolio of high-grades at the present time, although there is no reason for panic-stricken liquidation.

There is no difficulty in understanding the recent rise that has taken place in second grade bonds. The rise in commodity prices and increase in business activity both

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The Magazine of Wall

THE MAGAZINE OF WALL STREET'S Bond Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed as to the effect of developments in the largest number of issues.

It is naturally understood that all the issues mentioned do not constitute recommendations, although the relative merit of each is clearly indicated. For those who desire to employ their funds in fixed-income bearing securities, we usually "star" those which appear to us the most desirable on an investment basis. But owing to the uncertainty, which has grown out of the prospect of inflation, we are not, at this time, recommending new bond investment purchases.

Inquiries concerning bonds should be directed to our Personal Service Department.

Railroads

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1931	1932A	Price Call‡	Recent	Yield to Maturity	COMMENT
Central R. R. of N. J. Gen. 5s, 1987	54	50	1.0	.7	N C	96	5.2	Represents large proportion total debt Good grade.
Chesapeake & Ohio Railway								
1st Cons. 5s, 5.1.39	225	30	3.5	3.2	N C	106	3.8	Investment of the highest class.
Gen. 4½s, 1992	225	50	3.5	3.2	N C	101	4.5	Junior to issue above and prior liens thereto, but still strong bond.
Ref. & Imp. "B" 4½s, 1993	225	60	3.5	3.2	110*	90	5.0	Junior to two issues above.
Hocking Valley 1st Cons. 4½s, 1999	225	16	3.5	3.2	N C	91	5.0	Assumed by C. & O. Better grade.
Chicago, Burlington & Quincy R. R.								
Gen. 4s, 1958	220	83	2.4	1.2	N C	89	4.8	High grade investment.
1st & Ref. "A" 5s, 1971	220	70	2.4	1.2	107½ '42*	95	5.3	Junior to issue above.
Illinois Division 3½s, 1949	220	84	2.4	1.2	105	85	4.9	An investment of the highest grade.
Erie Railroad								
Cons. Prior Lien 4s, 1996	283	35	.9	.8	N C	83	4.9	Possesses considerable fundamental merit.
Cons. Gen. 4s, 1996	283	81	.9	.8	N C	61	6.7	Junior to issue above.
50-Yr. Conv. 4s, 1953	283	30	.9	.8	N C	54	9.0	Prior liens total $143 million.
Ref. & Imp. 5s, 1975	283	109	.9	.8	105*	49	10.4	Junior to three issues above.
Chicago & Erie 1st 5s, 1982	283	12	.9	.8	N C	..	..	Well secured obligation.
Great Northern Rly.								
1st & Ref. "A" 4¼s, 1961	353	72	1.3	.3	105 '41*	77	5.9	Reasonably strong.
Gen. "A" 7s, 7.1.36	353	206	1.3	.3	N C	77	..	Great size of issue adverse feature.
Eastern Ry. Minn. Nor. Div. 1st 4s, '48	353	10	1.3	.3	105	85	5.5	Strong bond.
Montana Central 1st 6s, 7.1.37	353	10	1.3	.3	N C	..	..	Reasonably strong.
St. Paul, Min. & Man. Cons. (now 1st) 4½s, 7.1.33	353	42	1.3	.3	N C	100	4.5	Holders offered extension to yield 5½%. Offer seems fair.
do Montana Ext. 1st 4s, 6.1.37	353	22	1.3	.3	N C	..	..	Reasonable security.
do Pacific Ext. 1st stg. 4s 1940	353	16	1.3	.3	N C	99	4.2	Better grade.
Kansas City Southern Rly.								
1st 3s, 1950	52	30	1.1	.6	N C	62	6.8	No more than fairly strong.
Ref. & Imp. 5s, 1950	52	21	1.1	.6	105	72	8.0	Junior to issue above. Almost speculative.
Texarkana & F. S. 1st 5½s, 1950	..	10	1.0	..	107½	78	7.9	None too strong.
New York, Chicago & St. Louis R. R.								
1st 4s, 10.1.37	147	17	1.0	.5	N C	80	9.6	Fairly strong.
Ref. "C" 4½s, 1978	147	96	1.0	.5	102	35	12.9	Junior to issue above and prior lns. thereto.
Notes 6s, 10.1.35	147	14	1.0	.5	100	31	..	Speculative
Lake Erie & Western 1st 5s, 1.1.37	147	7	1.0	.5	N C	70	15.0	In a fair position.
Toledo, St. L. & W. 1st 4s, 1950	147	17	1.0	.5	100	61	8.3	Somewhat speculative.
Norfolk & Western Rly.								
1st Cons. 4s, 1996	91	41	5.5	4.9	N C	98	4.1	An investment of the highest class.
Div. 1st & Gen. 4s, 1944	91	35	5.5	4.9	105	99	4.1	Junior to issue above, but still high grade.
Pocahontas C. & C. P. M. 4s, 1941	..	11	..	..	105	97	4.4	High grade.
Northern Pacific Ry.								
Prior Lien & Land Grant 4s, 1997	309	106	1.6	.9	N C	84	4.8	High grade bond.
Gen. Lien 3s, 2047	309	55	1.6	.9	N C	61	4.9	Junior to issue above.
Ref. & Imp. "B" 6s, 2047	309	145	1.6	.9	110 '36	82	7.3	Junior to two issues above.
Union Pacific R. R.								
1st R. R. & L. G. 4s, 1947	355	100	2.7	2.4	N C	98	4.2	Railroad investment of the highest grade.
1st Lien & Ref. 4s, 2008	355	86	2.7	2.4	107½	87	4.6	Junior to issue above, tho still strong.
40-yr. 4½s, 1967	355	27	2.7	2.4	102½*	89	5.2	While unsecured by mortgage, must be considered better grade investments.
40-yr. 4s, 1968	355	20	2.7	2.4	100	82	5.1	
Oregon Short Line 1st 5s, 1946	355	28	2.7	2.4	N C	102	4.8	High grade.
Oregon-Washington R. R. & Navigation								
1st & Ref. 4s, 1961	78	54	.2	..	105	83	4.6	U. P. guarantees.
Oregon R. R. & Navig. Cons. 4s, 1946	78	23	.2	..	N C	92	4.8	Prior in lien to issue above.
Washington Terminal 1st 3½s, 1945	12	12	..	..	N C	87	5.0	Guaranteed by the B. & O. and the Phil., Balt. & Wash. R. R. High grade.

Public Utilities

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	1931	1932A	Call	Recent	Yield to Maturity	COMMENT
Cincinnati Gas & Elec. 1st "A" 4s, 1968	35	35	5.4	4.6	100	96	4.2	High grade investment.
Consumers Power								
1st & Ref. 5s, 1.1.36	92	33	3.9	3.0	105	104	3.6	Of the highest grade.
1st & Unif. 4½s, 1958	92	67	3.9	3.0	105*	98	4.6	Junior to issue above, but still high grade.

Street's Bond Appraisals

Public Utilities (*Continued*)

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1931	Fixed Charges times earned† 1932A	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Dayton Power & Light 1st & Ref. 5s, 1941...	20	20	3.9	3.5	105*	104	4.4	Better grade investment.
Illinois Bell Telephone 1st & Ref. 5s, 1956...	58	49	4.9	4.2	105*	105	4.6	Investment of the highest class.
Koppers Gas & Coke Deb. 5½s, 1950........	42	42	1.9	1.9	103½	80	7.6	Medium grade bond.
Louisville Gas & El. 1st & Ref. "A" 5s, 1952.	31	27	1.7	1.6	110	101	4.9	Better grade investment.
Milwaukee Gas Light 1st 4½s, 1967.........	14	14	2.9	2.7	107½*	97	4.7	Better grade.
Minnesota Pwr. & Lt. 1st & Ref. 4½s, 1978..	36	29	2.1	1.7	102*	76	6.1	A good, medium grade issue.
New England Power 1st 5s, 1951...........	11	11	3.0	3.9	105	..	..	Better grade investment.
New York Edison								
1st Lien & Ref. "B" 5s, 1944.............	123	85	6.8	5.0	105*	106	4.3	High grade investment bond.
N. Y. Gas & El. Lt., Heat & Pwr. 1st 5s, 1948	123	15	6.8	5.0	N C	108	4.3	Assumed by New York Edison.
do. P. M. 4s, 1949.....................	123	21	6.8	5.0	N C	102	3.8	Gilt-edged.
Northern States Power Co. (Minn.)								
1st & Ref. "A" 5s, 1941.................	100	79	2.8	2.4	102½*	100	5.0	Better grade.
Ref. 4½s, 1961........................	100	45	2.8	2.4	105*	89	5.3	Almost equivalent security to issue above.
Oklahoma Gas & Electric Co.								
1st 5s, 1950...........................	43	35	2.0	1.8	104*	82	6.8	Medium grade only.
Deb. "A" 6s, 1940......................	43	7	2.0	1.8	102½*	73	11.8	Junior to issue above and prior lns. thereto.
Public Service Corp. of N. J.								
Perpetual 6% Certificates................	210	19	2.9	3.0	N C	109	5.5	Secured pledge stock of subsidiaries. Good grade.
Public Service Electric & Gas								
1st & Ref. 4½s, '67....................	115	91	3.8	3.8	104½*	101	4.4	High grade bond.
United Electric N. J. 1st 4s, 1949.........	115	19	3.8	3.8	N C	102	3.8	Of the highest class.
Hudson County Gas 1st 5s, 1949..........	..	11	3.8	3.8	N C	103	4.7	Strong investment.
South Jersey G., El. & Trac. 1st 5s, '53....	..	13	..	..	N C	..	..	Better grade bond.
J. C., Hoboken & Paterson Street 1st 4s, 1949.............................	30	13	.9	..	N C	..	..	Traction issue. Second rate.
Cons. Tract. of N. J. 1st 5s, 6.1.33........	..	14	.9	..	N C	..	..	Holders offered 5-yr extension or sale to P. S. C. at 65. Would accept cash offer
Shawinigan Water & Power 1st & Coll. "A" 4½s, 1967............................	88	88	2.0	1.5	103*	68	7.0	Only medium grade.
Tennessee El. Pwr. 1st & Ref. "A" 6s, '47...	47	35	2.4	1.9	105*	82	8.2	Reasonably good holdings

Industrials

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	1931	1932A	Call‡	Recent	Yield to Maturity	COMMENT
Am. I. G. Chem. Gtd. conv. Deb. 5½s, 1949.	30	30	2.0	1.7	110*	83	7.3	Real caliber difficult to ascertain. Probably reasonably well-secured bond.
California Packing conv. Deb. 5s, 1940......	15	15	def a	def a	104*	85	7.8	a Years to 2.28. Recent deficits lower caliber. somewhat, but prospects now better.
Chile Copper Deb. 5s, 1947................	35	35	1.2	def	101½*	60	10.5	Speculative, tho outlook somewhat improved.
Crucible Steel Deb. 5s, 1940...............	13	10	def	def	102*	67	12.1	Still not strong, but outlook much improved.
Int. Merc. Marine 1st & Coll. Tr. 6s, 1941...	17	17	.1	def	110	48	..	Thoroughly speculative.
Strawbridge & Clothier 1st 5s, 1948.........	12	11	1.4	.8	103*	..	..	Almost speculative, tho prospects better.
Socony-Vacuum								
Std. Oil of N. Y. Deb. 4½s, 1951.........	87	67	.1	2.3	101*	100	4.5	Strong debenture.
Gen. Petroleum 1st 5s, 1940..............	87	17	.1	2.3	102½*	103	4.5	Assumed Socony-Vacuum. Strong bond.
United States Steel Corp.								
Illinois Steel Deb. 4½s, 1940.............	99	19	def a	def a	105	103	4.0	a U. S. Steel's earnings, guarantor. All are high grade bonds.
C., L. S. & East. 1st 4½s, 1969...........	99	9	def a	def a	110	..	..	
Frick (H. C.) Coke Pitts-Mon. P. M. 5s, 1933–44.............................	99	7	def a	def a	N C	..	..	
Not Guaranteed.								
Elgin, Joliet & East. Rly 1st 5s, 1941......	12	10	def	def	N C	..	..	While recent conditions have lowered caliber somewhat, is probably attractive now.
Tenn. C. & I. R. R. Gen. 5s, 1951.........	..	11	..	..	N C	104	4.7	Strong, well-secured bond.

Short Term Issues

Company	Due Date	Amount of this issue (mil'ns)	1931	1932A	Call‡	Recent	Yield to Maturity	COMMENT
Atlantic Refining Deb. 5s..................	7.1.37	14	1.6	5.9	N C	102	4.4	Good grade investment.
Buffalo Gen. El. 1st Ref. 5s...............	4.1.39	7	3.5	2.6	105	..	..	High grade bond.
Chicago Gas, Light & Coke 1st 5s...........	7.1.37	10	2.9	..	N C	103	4.2	High grade investment.
Gulf Oil Deb. 5s..........................	12.1.37	28	def	1.4	103½	100	5.0	"Medium to high" grade issue.
Humble Oil & Refining Deb. 5s.............	4.1.37	20	2.1	..	102	103	4.2	Wide margin earned last year over interest requirements. High grade.
Minneapolis Gen. El. 1st 5s................	12.1.34	6	2.9g	..	110	102	3.6	g Earnings N. S. Pr. High grade.
New York Telephone 1st & Gen. 4½s.......	11.1.39	61	4.7	3.7	110	102	4.1	Gilt-edged.
Pacific Tel. & Tel. 1st & Col. 5s............	1.2.37	27	4.5	4.1	110	105	3.5	Of the highest grade.
Virginia Rail & Pr. 1st & Ref. (now 1st) 5s...	7.1.34	11	3.1	..	105	101	4.0	Strong issue.

† Fixed charges times earned is computed on an "over all" basis. In the case of a railroad, the item includes interest on funded debt and other debt, rents for leased roads, miscellaneous rents, etc.; in the case of a public utility it includes interest on funded and unfunded debt, subsidiary preferred dividends, minority interest, etc. ‡ An entry such as 105 '36 means that the bond is not callable until 1936 at the price named. * Indicates that the issue is callable as a whole or in part at gradually decreasing prices. A Actual earnings, though in some cases based upon preliminary reports.

Appraising the Prospects of Leading Van Sweringen Lines

Chesapeake & Ohio — Missouri Pacific

Nickel Plate — Erie

By HERBERT C. SLATER

HOW swift are the depredations of depression! And it is no respecter of pyramided railroad empire.

The four principal railroad systems now under the aegis of the ambitious Van Sweringen brothers—Nickel Plate, Chesapeake & Ohio, Erie and Missouri Pacific—reported, in 1929, aggregate net income of close to 68 million dollars. Three years later, in 1932, the aggregate net income was less than 16 million dollars—an average drop of a million dollars a week in the grand total.

One Out of Four

In 1932, three of these systems reported deficits aggregating $17,814,000. Chesapeake & Ohio, the only system remaining in the black, showed a counter-balancing net income of $23,528,000. So far this year all but Chesapeake are still in the red, and at the end of March, Missouri Pacific acquired the unenviable distinction of becoming the first major railroad system to invoke the new bankruptcy law.

This downward—or is it westward?—course of railroad empire was epitomized by O. P. Van Sweringen in two expressive sentences of the prepared statement which he read on his recent initial appearance before the Senate sub-committee investigating private banking and stock sales. After recounting the accumulation of Missouri Pacific shares—the last of their major acquisitions—which was completed in the spring of 1930, he said:

"Soon after we had accomplished these purchases the country was pitched headlong into the unforeseen depression, the worst the world has ever known. This wrought its accompanying havoc to investments and its violence to Alleghany Corporation."

Despite the "havoc to investments," the Van Sweringens still have, in Chesapeake, Nickel Plate and Erie, the component parts from which may yet be fashioned one of the four big groupings of Eastern roads. On this score, "O. P." expressed himself thus:

"We are still expecting to get these railroads together, physically and financially speaking, in spite of the many difficulties we have encountered."

This tenacious optimism may be tempered by difficulties yet to be encountered. But aside from the ramifications of control and the possibilities of consolidation, it is interesting to look briefly into the record to see what marks the meagre traffic of the last three years has left upon these four main supports of the pyramid which once seemed so solidly builded. And to fathom, so far as we may, what the future holds.

Van Sweringen fingers were first inserted in the railroad pie in 1916, when they acquired control of the New York, Chicago & St. Louis from New York Central interests. Many millions were spent on roadbed and upkeep and equipment to bring the property back close to that almost mythical luster of old which earned for it the nickname—Nickel Plate. Today the road comprises some 1,700 miles, and its line from Buffalo to Chicago, via Cleveland, is the main stem of the Van Sweringen system between those points.

Nickel Plate

In 1922, the Nickel Plate was rounded out by acquisition of the Toledo, St. Louis & Western (known as the Clover Leaf) and the Lake Erie & Western, resulting in larger traffic in corn, wheat and other agricultural products, and also in petroleum products moving northward and eastward through the St. Louis gateway. The importance of this rounding out is evident in the fact that Nickel Plate originates very little of its own traffic, receiving about 70% of its freight business from connecting carriers.

Normally, the automobile industry supplies a large part of Nickel Plate's traffic. And serving an important district in the general industrial area of the Middle West, it also hauls large tonnages of bituminous coal in good years, a great deal of this being delivered to it over the Chesapeake & Ohio and Hocking Valley.

How Depression Clipped Earning Power

Net After Fixed Charges (000's omitted)

	1929	1930	1931	*1932
N. Y., Chicago & St. Louis	$7,390	$4,394	def. 210	def. 4,410
Chesapeake & Ohio	36,496	34,107	26,696	23,528
Erie	11,678	4,171	def. 901	def. 3,143
Missouri Pacific	12,218	6,741	1,396	def. 10,261

*Preliminary.

Serving an industrial area and depending largely upon manufactured goods for its traffic, Nickel Plate's earnings have slumped severely. From per-share earnings on the common stock of $15.51 in 1929, income dropped to less than half that figure in 1930, to a deficit of $7 a share in 1931, and last year the deficit rose to nearly $20 a share.

Laboring under these revenue diffi-

culties, the system was unfortunate in having an issue of $20,000,000 three-year, 6% notes fall due last October. Other important maturities, among the $147,989,000 funded obligations, are four years off. But the note maturity has proved embarrassing, particularly because the R. F. C., restricted its loan to cover only the coupon due October 1, and 25% of the principal, the balance of the issue to be extended three years. Some 92% of the notes have been deposited in assent to the refunding plan, but dissenting note-holders have carried their claims to court, forcing the company to appeal to higher courts for relief from several judgments.

Nickel Plate is poorly situated as to finances to meet this bothersome note complication. On April 30, 1933, current liabilities of $10,058,000 exceeded current assets by about $1,805,000.

Traffic Improves

The bright spot is the upturn in traffic, reflecting reviving industrial activity in the motor and other centers served. For the week ended May 20, there was a gain of 2.9% in car-loadings, against a loss of 0.1% for the three weeks to that date, and a loss of 13.0% for the twenty weeks. Operating economies made it possible to show net operating income of $767,000 for the first four months of this year, against $586,000 for the same period last year, despite a drop of approximately $1,657,000 in gross revenues this year.

While Nickel Plate is admittedly at a difficult pass, if the note situation is straightened out and other financial needs are cared for to the end of this year, it seems likely that reviving traffic will pull it out of the hole. The uncertainties in the situation bear mainly on the stocks, making them risky speculations at this time. High risks, of course, connote high profit possibilities, if—. At present depressed levels, the bonds have apparently discounted unfavorable eventualities.

Chesapeake & Ohio is the shining star in the Van Sweringen constellation. It was the second large acquisition, dominance of the Cleveland brothers beginning with purchase of the Huntington interest. In his prepared statement, "O. P." said, regarding this property: "It is the one railroad that has earned and paid its full dividend throughout the period of this depression that we hope is now ending." In fact, it is the foundation, the basement and the sub-cellar of the pyramid.

The Cleveland brothers rounded out the Chesapeake system by acquisition of the Pere Marquette to open additional outlets for coal shippers in industrial Michigan. And a connecting line was built between the C. & O. and the Hocking Valley, its subsidiary, to make a continuous line from tide water at Newport News to the Great Lakes.

The predominating traffic movement over the 3,120 miles of the Chesapeake system is provided by bituminous coal. In 1931, the proportion of this commodity was 82% of total freight tonnage. Although the depression naturally foreshortened the market for this commodity, the effect on Chesapeake's tonnage was less severe for the reason that a lower wage rate prevailed in the mining areas served than in the Pennsylvania fields. Traffic was thus singularly well sustained. Now, with prospects of greater equalization in wage rates in various fields, under the influence of the Industrial Recovery Act, Chesapeake may not enjoy quite the same advantage in tonnage shipments in the years ahead, although the effect should not be severe enough to seriously alter Chesapeake's earnings prospects.

Mileage and Capitalization Ratios

	Nickel Plate	C. & O.	Erie	Missouri Pacific
Miles of Line	1,700	3,120	2,300	7,500
Per Cent of Total Capitalization:				
Funded debt	68	54.5	55.4	72.6
Preferred stock	15.5	....	1st. 9.9 2nd 3.3	12.0
Common stock	15.5	45.5	31.2	14.6

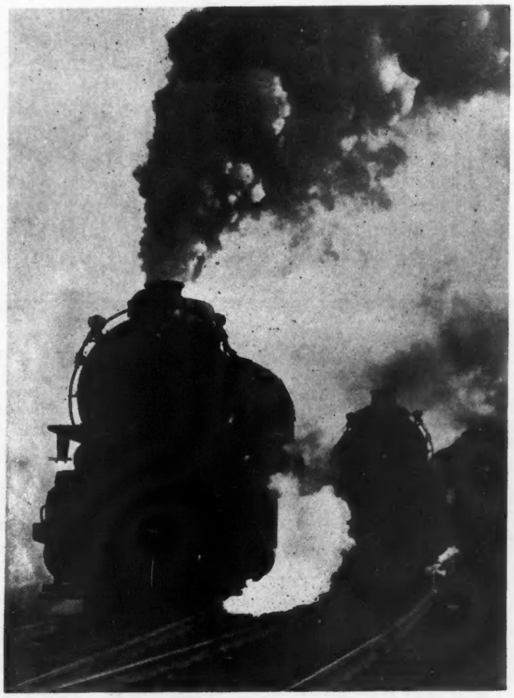
This earnings stability throughout the lean years is clearly shown by common stock results. In 1929, per-share earnings (making allowance for the four-for-one split) were $5.42; 1930, $4.46; 1931, $3.47; 1932, $3.06.

The road is conservatively capitalized in relation to normal earning power, and funded debt is little more than half the aggregate—54.5%. Total funded debt is $228,890,000, and there are no early bond maturities. There is a negligible amount—41 shares—of Series "A" preferred still outstanding, and $191,316,342 common.

In normal years expenditures for maintenance have placed the road up among such high-ranking properties as the Union Pacific and Atchison. The sound condition thus built up has made it possible to curtail expenditures somewhat in recent years without injury. Moreover, the maintenance dollar has gone farther, with all prices lower. At least, operating efficiency has continued high.

Although gross and net operating revenues have declined steadily over the past three years, this trend seems likely to be broken now that traffic has turned sharply upward. Net income for April showed a small increase as compared with the like month in 1932, and for the first four months of this year 78 cents was earned per common share,

(*Please turn to page* 244)



H. Armstrong Roberts Photo

Conditions Force Revival in Equipment Industry

Prospects Brighten for Securities of Railroad Equipment Manufacturers

By Charles P. Woodruff

ABSOLUTE zero has never been reached. But the steam locomotive builders have come closer to it—on their order books—than have the laboratory scientists. Just take a look at the 1932 order books of the three builders in the United States. Two of them were blanked. On one you will find:

Orders: One locomotive (*for export*)

Actually, only five steam locomotives were ordered in the entire country in 1932 and four of these were placed with the railroads' own shops, with the one mentioned going to an outside shop—for export. Of the 1,968 freight cars ordered in 1932, only 368 were placed outside the railroads' shops.

And the total of orders for freight cars and locomotives for the three years—'30, '31 and '32—was less than for any one year since 1921, with the single exception of 1928. Railway equipment manufacturers who thought 1921 was a bad year hadn't seen anything yet—as it has turned out. For in 1921 orders were placed for 239 locomotives and 23,346 freight cars.

The net of all this is that the railroads have, apparently, got into a tight spot equipment-wise, similar to that existing in 1921. Following 1921, the equipment companies enjoyed a boom year. Orders ran up to 2,600 locomotives and more than 180,000 freight cars. Contributing to that outburst of buying was the fact that during the period of the well-remembered United States Railway Administration, which included the war years, equipment shops were busy with munition orders, and cars and locomotives were run ragged. When the rails went back to private ownership, the first move was to restore rolling stock, from cabooses to big moguls.

With everything brought back to top condition around 1923, the railroads have sort of let 'er ride ever since. For instance, the number of locomotives built during the years 1919-23 totaled 14,096, an annual average of 2,819 units. In the next six years, the total was only 8,875, an average of only 1,362 annually. Or take freight cars: the annual average of new orders, for all kinds, during 1922-25 was 132,700; in the next five years it dropped to 76,300; and in 1931 actual orders totaled 14,838.

Such figures explain why the opinion is growing that the equipment industry has reached a pass similar to 1921, from which it should emerge with rapidly fattening order books. Of course, changes in traffic and in operating efficiency have taken place since the depression of ten years ago. The recent boom years did not throw any such burden of traffic upon the rails as might have happened under previously existing conditions. For reasons of traffic diversion, industrial decentralization, canal competition and what not, freight traffic, measured in revenue ton miles, increased only 9.9%, as compared with an increase of almost 37% in industrial activity.

Bigger and better locomotives made it possible to show an increase of 24.8% in gross ton miles between 1920 and 1929, while there was an actual reduction of 3.47% in freight train miles. But this very advancement in locomotive design and in the materials of construction has forced upon existing old motive power a necessarily higher rate of obsolescence. A ten-year-old locomotive is now regarded as out-of-date and uneconomic. The expenses which revolve around the use of locomotives are the largest single element of cost in railroad transportation, which makes it highly desirable for roads to keep abreast of improvements. Economies are derived, not only through lower

Position of Four of the Leading Equipments

	American Locomotive		Baldwin Locomotive		General Rwy. Signal		Westinghouse Air Brake	
	1932	1931	1932	1931	1932	1931	1932	1931
Net Income (thousands)	def. $4,590	def. $3,335	def. $4,078	def. $4,123	$635	$1,210	$1,421	$3,155
Earnings per com. share	def. $9.22	def. $7.75	def. $6.50	def. $6.55	$1.55	$3.33	$0.46	$1.01
Current Price, common	$21		$12		$34		$26	
Current Dividend, common					$1 annual		$1 annual	

Balance Sheet Position End of Year

(thousands of dollars)

	American Locomotive 1932	American Locomotive 1931	Baldwin Locomotive 1932	Baldwin Locomotive 1931	General Rwy. Signal 1932	General Rwy. Signal 1931	Westinghouse Air Brake 1932	Westinghouse Air Brake 1931
Cash	$2,970	$3,618	$8,168	$8,207	$1,847	$921	$4,506	$4,357
Total Current Assets	18,864	24,492	16,621	20,035	5,563	6,996	33,571	38,430
Net Working Capital	17,435	22,630	15,394	18,112	5,342	5,396	31,928	35,813

operating costs, but also through greatly reduced repair bills. In 1932, for example, the Lehigh Valley purchased twenty new engines. And it was estimated that economies derived from the new motive power yielded a return in excess of 30% on the investment.

The general equipment situation is almost startlingly bad. A careful calculation, using 1907 as the base year, indicates an average age of at least 27 years for all steam locomotives in the United States. It is reported that more than 25% of the engines in Class I service are in need of heavy repairs. There is an unprecedented proportion of bad-order cars, old and obsolete equipment.

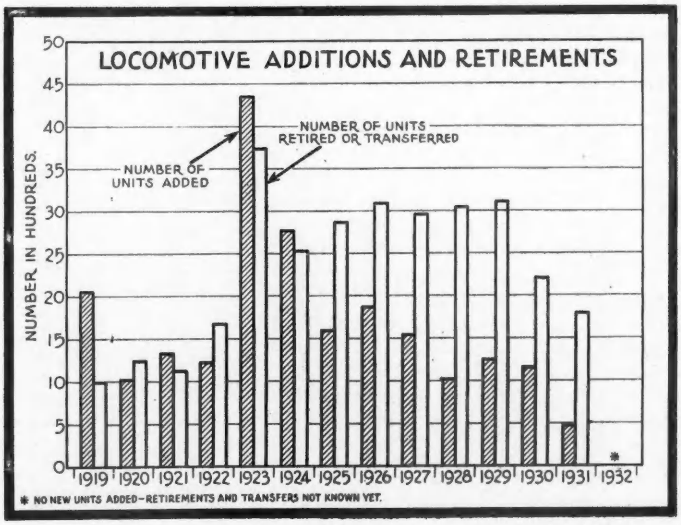
If the current improvement in business runs into permanent revival, it is not necessary to stretch the figures, or the imagination, to see anywhere from three-quarters of a billion to a billion dollars of deferred maintenance and replacements to be made up by the country's transportation plant. In 1923, over a billion dollars was so spent. And even if reviving traffic, as in the boom years preceding 1929, does not keep pace with industrial activity, drastic correction of equipment deficiencies is indicated.

In its early stages the new buying movement will probably swing toward producers of locomotives safety devices and parts, because new engines and automatic signal equipment are a paying investment and parts for renewals and maintenance quickly reflect moves toward improvements and betterments. Freight car buying is likely to lag somewhat, unless carloadings turn more sharply upward than has so far been the case, for many railroads are prepared to care for ordinary needs in their own shops.

The construction of steam locomotives is confined principally to three companies — American Locomotive, Baldwin Locomotive and Lima Locomotive. Because of the tendency toward widely separated peaks of activity, earnings have fluctuated inordinately. For the past two years they have been in the red, despite efforts to diversify their operations to relieve dependence on locomotive and other railway equipment business.

As to choice between the two major companies, it is something of a toss-up between American Locomotive and Baldwin, with the former having a slight edge. All three are in good current balance sheet condition, but Baldwin is not completely out of the woods on its difficult refunding of $12,000,000 three-year notes which fell due on March 1 of this year. Lima is the only one that restricts its business to American railroads, and it usually gets the overflow of orders when the rails are actively replacing motive power. With no funded debt or preferred stock, Lima is rather sweet from the liquidating point of view, with net current assets of more than $33 a share, and book value of $52.60.

The two leading safety device companies have shown operations in the black during the last two years, as contrasted with deficit operations generally in the railway equipment field. And these two companies—General Railway Signal and Westinghouse Air Brake—are paying dividends currently at the anuual rate of $1 a share on their common stocks. These companies are in a strong position to secure early business when purchasing power of carriers permits, for the very good reason that automatic signalling devices result in important savings in railway operating costs as compared with the old, hand-operated systems.



It is estimated that approximately one-half the railway mileage in the United States is equipped with block signals, and of the total so equipped, about one-half is still served by manual rather than automatic type. Which leaves considerable leeway for future business.

Centralized train control devices, and car retarders for use in railroad classification yards, are General Railway Signal's principal business. Westinghouse Air Brake participates in the safety device business through its subsidiary, the Union Switch & Signal Co. General did particularly well in 1932 because it was working on orders received the year before for the New York City municipal subways. In the case of both concerns, the ordinary run of repair business is a stabilizing influence upon operations.

Westinghouse Air Brake—and also New York Air Brake, a smaller company which is in a secondary position, but well situated financially to operate under Westinghouse patents—is expected to meet an increasing demand for its complete air brake equipment, for the reason that the new roller bearings now going into freight as well as passenger cars put a tougher task on the braking equipment. New developments in locomotives are likely to add to this need for more powerful brakes. There is in prospect the construction of engines for freight service at high speed, without sacrificing their ability to haul long and heavy trains.

While nearly all of the specialized locomotive and car-building companies make a variety of castings and parts for replacement and repair work, there are two companies—American Brake Shoe & Foundry and American Steel Foundries—whose activities come chiefly under this heading. American Brake Shoe & Foundry originally made brake shoes and parts only, but by acquisition and plant construction it has diversified its line to include car wheels, track fixtures, castings, bearings, steel forgings and brass castings, with customers for some of these products in the automotive and general industrial field. Although there was a small deficit from operations last year, the company has no direct funded debt and its balance sheet position is so favorable that the common stock has been kept on a modest dividend basis of 60 cents annually. Because most of its products for railway use go into repair and replacement work on old equipment, sales are not dependent upon purchases of new equipment by the railroads.

The sales volume of American Steel Foundries does depend largely upon purchases of new cars and locomotives.

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Attractive As a Long-Term Holding

Diversity of Markets — Potentially Larger Sales—Strong Financial Position

By William Wren Hay

Investors are always looking for common stocks that could earn more than they have in the past, that would pay larger dividends in future and that may be held for a considerable number of years. All of these desirable features are to be found in the common stock of the Timken Roller Bearing Co.

TIMKEN - bearing equipped became a standard of industrial excellence by virtue of sustained and consistent advertising and the business of the Timken Roller Bearing Co., although still subject particularly to fluctuations in the production of motor cars, has been stabilized by the addition of new outlets for its products. To many investors, Timken is a "parts maker" and suffers the stigma attached to the motor stocks by speculation. This, however, is hardly fair to the company. Timken Roller Bearing has been at considerable pains to develop a wider and more diversified market than it could possibly enjoy as an automobile accessory manufacturer; hence, its industrial position is the more secure, and its potentialities for sound growth in sales are considerably enhanced.

Customer Diversity

The company is not only the largest independent maker of roller bearings for motor vehicles but its position as a maker of anti-friction bearings for industrial applications is supreme; in addition, it is one of the largest makers of alloy steels; and its "new era" lure, railroad bearings, is still a factor to be reckoned.

The idea of the roller bearing was developed and commercialized before the manufacture of motor cars got under way, for the predecessor of the Timken Roller Bearing Co. was incorporated in 1904, four years before the first flivver was built. The advent of the motor car gave a great impetus to the business because the use of anti-friction bearings was imperative and the Timken firm grew quite rapidly as a result. When the original family who still owned the business, sold a one-third interest in 1922, the common stock was distributed to the public. By then, the company already had a net worth of more than 18 million dollars, compared to a net worth of $48,047,751 at the close of 1929.

Timken was one of the earliest users of alloy steels because, as motor car production was growing rapidly during the war, it was not only necessary to be assured of large supplies of high grade alloy steel but uniformity of specifications was difficult to secure in the open market. Consequently, in 1915, the company embarked in the making of their own alloy steels, with an electric steel ingot capacity of 40,000 tons per annum. As the business grew and new uses for these steels were developed, Timken began to furnish its steel to some of the buyers of its roller bearings. The making of alloy steels grew so rapidly that, by 1926, Timken's was the largest electric steel making capacity in the whole country. New additions completed in 1928 brought the ingot making capacity to more than 300,000 tons a year, a four-fold increase in four years.

Tube Business Expands

Timken early installed a tube mill to make the seamless tubes from which the cages are cut for spacing the rollers in Timken bearings and soon became known for commercial alloy tubes. The total production of seamless alloy tubing for "oil country goods" was so negligible before 1926 that it was not specified separately in production statistics of the steel industry but, in 1926, it amounted to nearly a half-million tons. Since then, this classification has grown very rapidly, and it is still large and, since this is the market which absorbs the largest part of the seamless tube sales of the Timken Roller Bearing Co., it necessitated an eight-fold increase in the tube mills in the short space of three years.

The Timkens early realized the folly of tying their tail to a kite, as erratic as motor car production has always been, and soon after the war commenced to develop an industrial bearings division by widespread advertising, now familiar to every reader. So successful was this campaign that, by 1924, a profit was shown by this division and, in 1929, it accounted for one-third of the gross bearings business.

Railroad Field

All through the bull stock market of 1929 and well into 1930, Timken derived a great deal of notoriety from the development of roller bearing journals for railroad cars and locomotives. The hullabaloo from these experiments was premature, to say the least, but there is small doubt that anti-friction bearings will play a more important part in the rolling stock on American railroads in the future. Such bearings are almost universal on European railways, evidence of the ingrained inertia of our own railroad executives. If the present Administration is sincere in its desire to aid the railways, roller bearings ought to become much more common on our trains.

The use of roller bearings in motor vehicles not only increased as the output of passenger cars and trucks grew, but because more and more refinements of a mechanical kind were being added, anti-friction bearings were used more freely. Even today, with motor car production down to post-war numbers,

the sale of automotive roller bearings is larger than it was ten or twelve years ago. On the other hand, more bearings are sold for the same or less money and the production of motor cars will have to increase considerably before this business would become highly profitable again. The manufacture of Timken roller bearings is on a mass production basis and the plant facilities of the Timken Roller Bearing Co. are far in excess of any likely motor car output this year, at least.

Depreciated Dollars Help

In addition to its investment for normally rapidly growing industries in this country, Timken owns control of several profitable foreign subsidiaries, including British Timken, Ltd., and, jointly with it, a French and a German subsidiary. British Timken, Ltd., was established in 1910 and was always profitable. Although the returns from these foreign subsidiaries suffered two years ago because of depreciated foreign currencies, their role has been reversed since this country abandoned its old faith and for some time to come they will be more profitable by virtue of our depreciated dollar.

The entire capital of this company is represented by 2,411,380 outstanding shares of no par value common stock, there being 2,500,000 shares authorized. There has been no change in the stated amount of the capital stock since 1922, when the present capital set-up was created. Despite a two for one split, in 1929, no part of the surplus of (then) forty millions of dollars was transferred to the capital account. For this reason, the amount of the surplus is now approximately equivalent to the stated cost of the physical assets while the depreciation reserve is almost entirely invested in marketable securities.

The financial policies of the Timken Roller Bearing Co. have been very sound and it was able to weather the severity of the depression without impairing its liquid assets. The company had a small deficit from operations last year and in the two years, 1931-'32, paid out dividends in excess of $7,000,000 more than were earned. In spite of these expenditures, working capital was reduced less than $4,000,000.

For many years, Timken had invested its surplus profits in marketable securities, on which the rate of return was comparatively small, averaging about 4½% annually. In 1928, when it became profitable to expand the alloy steel making capacity, part of these securities were sold to provide part of the necessary funds. Naturally, some provision for growth was provided and the decline of tonnage requirements in 1930 and in the succeeding years imposed a burden on the company because its investment was excessive. However, the alloy steel business has far greater immediate potentialities than have the bearings divisions and the recovery now apparently under way should shortly absorb the output of Timken's alloy steel mills.

The earning capacity of the Timken Roller Bearing Co. is high even for an automobile parts maker. In the years before 1930, manufacturing profits were approximately the same as the stated cost of the plant facilities, i. e., the manufacturing plants reproduced themselves in profits every year. Net income is arrived at after deducting depreciation charges, selling and administration expenses, then other income (interest on securities) is added before normal Federal income taxes are deducted. Based on former ratios of gross manufacturing profits to net income available for the payment of dividends, it is a simple calculation to estimate that the Timken Roller Bearing Co. had a potential earning capacity of $10 a share when the depression halted its development. Extra-ordinary charge-offs in both 1928 and again in 1929, served to obscure the real earnings of this enterprise. Not until business becomes fairly normal under altered circumstances and Timken has another opportunity to demonstrate its earning power may another estimate be possible.

Profits Flowed Back

The Timken Roller Bearing Co. was engaged in several rapidly growing markets in the few years before the depression and plowed back large amounts of surplus profits for the expansion of both its industrial bearings division and its alloy steel making capacity, not to mention costly experimental work on railroad bearings. During the three-year period, 1927-'29, physical assets were increased more rapidly than profits could be developed and the inference is plain that when industrial activity fell off, the Timken Roller Bearing Co. had plants and manufacturing facilities with a much greater potential earning capacity than it was able to show. Even allowing for some obsolescence in the meanwhile, and some change in the rate of return, it is apparent that this company could, under favorable conditions, earn a great deal more than it did in the past,—and this without the necessity to make any further large capital investment in fixed assets. Granted that manufacturing facilities are excessive for present demands of its markets, nevertheless, all of its markets except motor car (*Please turn to page* 246)

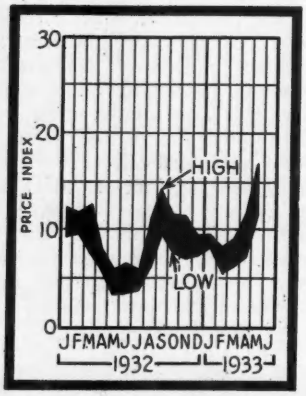
From an etching by O. Kuhler.

Timken Roller Bearing is One of the Largest Producers of Alloy Steel in the Country

Opportunities in Stocks That Have Not Yet Discounted Their Earnings Recovery

Special Selections Among the Relatively Low-Priced Shares

Borg-Warner Corp.



ALL indications are that Borg-Warner Corp. will soon have something more definite to discount than prospecive earnings recovery. It is estimated that operations at least broke even and a small net may have been earned in April, for the first month since August, 1932. And there is a good chance that the June quarter will be completely in the black.

The corporation is a holding company whose principal units are leading producers of a wide list of parts used in automobile manufacture and a number of products used in agricultural implements, tractors and industrial machinery. A subsidiary — Norge Corporation — manufactures an electric refrigerator, and this division is expected to contribute to earnings in the second quarter. Refrigerator sales were slow in getting under way his year, and when they did start—in March—the bank holidays flattened the sales curve. But it is reported that April was a profitable month for the Norge unit.

Borg-Warner's sales to the automobile industry normally make up from two-thirds to three-fourths of total volume. Since most of this is in the nature of original equipment, rather than owner-purchased accessories, profitable operations are largely dependent upon the rate of flow on motor car production lines. The car-buying season was delayed this year by the banking troubles, and fairly reliable opinion now is that motor plants will not ease off a great deal during the summer months before entering into the fall season. A fair amount of business comes from the agricultural implement industry which should eventually reflect increasing farm buying power.

Capitalization consists of $3,518,000 7% cumulative preferred, and 1,169,292 shares of $10-par common. The parent company has no funded debt, but 6% debentures of a subsidiary are outstanding in the amount of $1,601,000.

Following rather closely the course of the motor industry, earnings have declined sharply from $6.09 per common share in 1929, to $1.68 in 1930, 81 cents in 1931, and a deficit of 73 cents in 1932. Dividends of 25 cents a share were paid in January and April, 1932, with no payments since. The working capital position is strong, the balance sheet as of March 31, 1933, showing $2,360,710 in cash and $3,489,523 in government securities. Current liabilities were only $1,455,479.

Borg-Warner common, at current levels around $17, apparently has not fully discounted an earnings recovery which is actually in process. Following a 50% stock dividend in August, 1929, the stock sold well above 80. Over the longer outlook there are prospects of some degree of earnings stabilization as new products and processes broaden markets for operating subsidiaries.

Best & Co., Inc.

RETAIL trade along Fifth Avenue—where the pick-up normally comes a bit ahead of the rest of the country—is currently running even with or better than a year ago. When things turn for the better in Wall Street, after a long siege of getting worse and worse, retail trade in the high-grade New York City stores is generally quick to respond. With growing indications that, seasonal bounds having been passed, the current improvement bids fair to run into a major forward movement in general business, retailers may count upon expanding public purchasing power to sustain sales volume.

Best & Co., although it has joined in the branch-store movement, is primarily a specialized Fifth Avenue department store with the emphasis on apparel—women's first, children's in almost equal importance, and men's to limited extent. Sales in these lines should readily reflect growing optimism. At the same time, the firmer price tendency should minimize mark-downs and advance the profit ratio. For the year ended January 31, 1933, the profit ratio was only 2.96 cents per dollar of sales, against 6.70 in the previous fiscal year.

The consideration which particularly recommends this company is that it is operating in the black, having shown a profit of $1.05 a share in 1932, against $3.02 in 1931. Moreover for the reason that the management was considerably foresighted in omitting the 50-cent quarterly rate following the excellent 1931 results, it may be logical to expect restoration of dividends at the first favorable opportunity. In other words, a man-

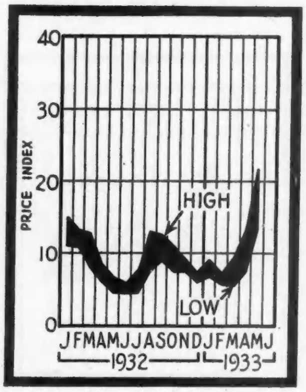
agement which will pass a dividend in advance of declining profit, may reasonably be expected to reinstate payments in anticipation of important improvement.

The only funded debt is a real estate mortgage of $950,000, and there is only a small issue of employee preferred stock ahead of the 300,000 shares of no-par common. The balance sheet at the close of the latest fiscal year showed a ratio of better than five to one in current assets against current liabilities, with cash amounting to $1,070,629. At the end of the previous year the cash item was $134,993.

Now that department store stocks are coming into greater favor because of the rising trend of prices, wages and employment, the common stock of Best & Co., Inc., currently selling around $22, should be in line for further market appreciation. For several weeks it has held within the 20-24 range, after recovery from a low of 9 for this year. In 1931, the last year in which the $2 annual rate was maintained, the high was 46¼.

Caterpillar Tractor Co.

THE road-building end of the public works program should be particularly helpful to Caterpillar Tractor. This company makes, not only 90% of the estimated domestic production of the crawler type of motive power especially adapted to heavy construction and industrial work, but also produces a subsantial amount of road-building machinery and other equipment for use with its tractors. Better prices for farm products may lift the agricultural demand, but highway construction and maintenance work represents Caterpillar's principal market and farm sales have never exceeded one-tenth of the total. The track-laying tractor is particularly well suited to heavy hauling; so that mining, quarrying, lumbering, general contracting, and maintenance are also important sales sources.



In common with a great many industrial manufacturers, this company has put its production operations into such shape in recent years, through improvements and economies, that it should be able to show a profit on a smaller volume of business. Manufacturing operations were centralized at Peoria, Ill., under a plan completed in 1932. Some indication of lower manufacturing costs is shown in the fact that there was an operating income of $244,760 on net sales of $2,257,077 in the first quarter of this year, against operating income of only $48,711 on $3,501,647 net sales in the corresponding period last year. Net loss, after all charges for the recent period was $303,884, against $510,124 for the first three months of 1932.

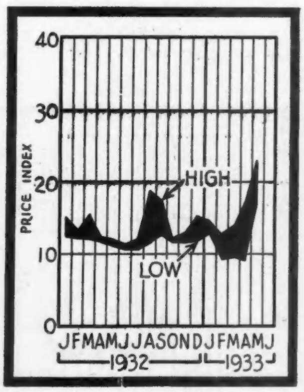
Over the period of depression, Caterpillar has suffered a severe drop in sales and earnings. From the peak of $51,812,000 in 1929, sales fell to $13,259,000 in 1932. And there was a deficit of $1,617,000 in the latter year, as compared with earnings of $6.16 per share of capital stock in the former, record year.

Capitalization consists of 1,882,240 shares of no-par capital stock. The only funded debt is $6,809,000 of 5% notes, due April 1, 1935. Dividends were omitted in February of this year. Last year 62½ cents was paid. In good years, disbursements have amounted to three or four dollars, including extras.

The price of the stock apparently discounted all adverse factors with lows of 4⅜ last year and 5½ this year. The financial position is sufficiently strong to enable the company placidly to await the upturn in business in its lines. Public works should furnish an initial impulse to sales, and the movement should broaden along with general business recovery. Around $21, the shares are priced at less than a quarter of the peak of the boom years. When prospective improvement in sales and earnings becomes actual, the present level could conservatively be doubled.

Firestone Tire & Rubber Co.

ALL automobile tire manufacturers are enjoying a rather phenomenal increase in sales and operations. In the main, three factors have brought this about and all are important. Replacement needs had grown so pressing that they could not much longer be held back. When the inflationary wave hit the crude rubber market and forced a general advance in tire prices early in May (a second advance has just been made), the replacement demand was touched off. At the same time mounting production schedules of car manufacturers gave new life to original equipment orders.



In its probable effect on profits, the large replacement demand is second only to advancing prices, for the reason that there is usually little or no profit on a great deal of original equipment business. The Firestone Tire & Rubber Co. is well situated to reap the full benefit of replacement sales to car owners, for since early in 1929 it has invested 25 million dollars in its "One Stop Service Stores" program. And as the result of experience with this merchandising operation the company has learned better to adopt dealer policies to actual retailing requirements, which is making for improved relations with its 28,000 dealers.

As a result of these various factors, the Firestone company has reported that replacement sales during May were twice as large as for any previous month in the company's history. And its plants are operating on a twenty-four hour daily schedule.

In recent years the company has rounded out its list to include various automobile products, such as tire rims, storage batteries, brake lining and other accessories. Three wholly-owned textile mills in New England are producing tire fabric, and what will some day be an important source of its own crude rubber requirements is in course of development.

Firestone's capital structure has been considerably

strengthened since 1929, through repurchase of approximately 20% of the preferred shares originally issued. There is no direct funded debt, but $19,012,500 of subsidiary bonds are guaranteed. Ahead of the common is $47,418,100 6% cumulative preferred. There are now outstanding, as the result of a 400% stock dividend in October, 1929, 1,986,189 shares of $10-par common. Approximately one-fourth of current assets is in the cash item of $13,167,848, and about one-half in inventories.

The common stock dividend was reduced to 10 cents quarterly in April of this year, from 25 cents. The first dividend on the common following the 400% stock distribution was 40 cents a share, which may indicate the range of possibilities. And at that time the stock sold around 37—save for the market crash, a price around 58 was indicated on the old basis—against the current price around 21. It seems conclusive that the present level has not yet discounted prospective earnings recovery.

Borden Co.

WHEN consumer purchasing power recuperates, particularly after such severe curtailment as it has suffered during the last three years, necessities are first to feel the effect. And food is the prime necessity. With one-half of its large dairy industry investment in its fluid milk division, which distributes one of the foremost food necessities, the Borden Co. should soon begin to record consistent earnings recovery.

This holding company has four main operating divisions. Of about equal importance, after the fluid milk division, come the ice cream and the food products divisions, each accounting for approximately one-fifth of the capital investment. The cheese, eggs, butter and farm products division represents about one-tenth.

New associate companies, especially in the fluid milk and ice cream divisions were brought under the Borden banner at a rapid rate before the business slump. These acquisitions were largely financed through issuance of capital stock. Earnings kept pace with physical growth until 1931. In that year consumer purchasing power declined to a point which cut into food consumption. Borden's tonnage sales declined 8%. Prices were lowered in an attempt to check the sales decline, and dollar volume receded 17.6%. Price reductions bore heavily on the fluid milk division. This movement was accentuated in 1932, when tonnage declined 12%, and dollar volume fell 25.4%.

This picture of the course of prices and volume is particularly important in viewing the outlook for Borden, because with half its total income normally coming from the fluid milk division where prices are readily adjusted upward whenever the consumer market justifies such a step, the reverse process may quickly come into play. Milk prices are already on the upswing, and as consumer purchasing power gains strength through the business recovery, tonnage is also likely to expand.

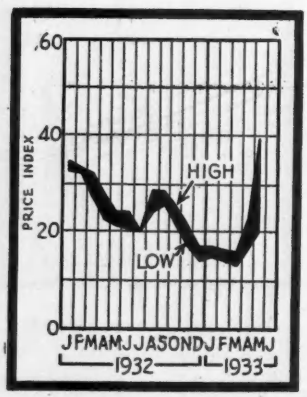
While the price and volume situation in milk is the dominating factor in Borden's earnings outlook, the ice cream division should be aided by the broad national movement to end destructive price competition. It is interesting, too, to note that cheese consumption has turned up sharply now that beer is back.

Financially, the Borden Co. is in excellent shape. There is no senior stock ahead of the 4,396,754 shares of $25-par common, and no funded debt—only a mortgage of $2,700,000 on the New York City office building. Despite decreased volume and the fact that outstanding shares have been multiplied about 3½ times since 1928, the company has remained solidly in the black, showing $1.71 per share in 1932. Dividends of 40 cents quarterly are currently being paid.

If general business improvement runs into a major recovery, Borden may well be expected, over the longer term, to double its current price level of $34 a share.

Sherwin-Williams Co.

PAINTING, like spiritual reformation, is something which conveniently can be deferred, but eventually retribution brings us to it. For the past three years, it is reported by the trade, very little painting has been done. If the weather continues favorable it is expected that the season, now well begun, will be one of the best in many years for the paint trade.



The adverse factor is prices. But it is probable that a co-ordinator under government sanction could make quick work of cleaning up old abuses. The trade body has steered wide of price controversies ever since it ran afoul of the Department of Justice several years ago. The "New Deal" may put an early end to all of that.

Meanwhile, raw material prices are firming in such a persistent manner as to dull the edge of price cutting. Improvement in the industry is actually under way. The Sherwin-Williams Co., a leading factor, reports a substantial pick-up in business. And if, as many expect, residential building is revived this year, improvement will not have to depend upon re-painting alone.

Sherwin-Williams is soundly managed and old-established, tracing its origin back to the year after the close of the Civil War. In addition to paints, varnishes, lacquers, etc., it produces coal-tar products, insecticides, dyes, colors and chemicals. Its internal economy is so well planned that, through wholly-owned subsidiaries, it manufactures its own important raw materials and owns and operates lead and zinc

(Please turn to page 251)

Taking the Pulse of Business

— Steel 47% Capacity

— Electric Power Gains

— New Orders Improve

— Raw Material Prices 35% Above Last Year

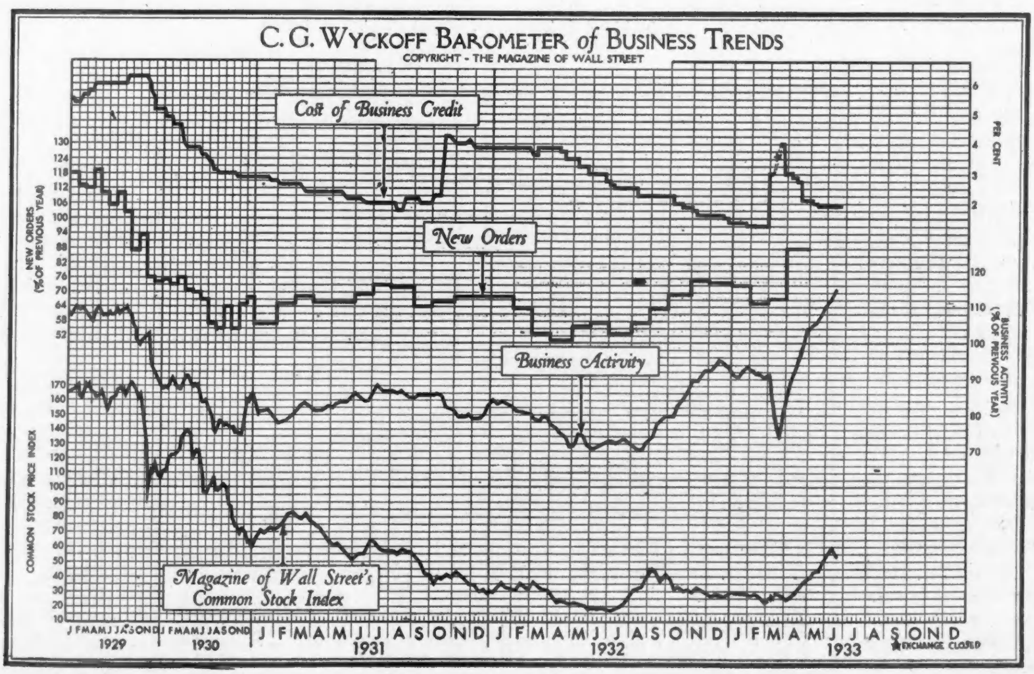
— Earnings Prospect Brighten

WITH Congress adjourned, the business news henceforth will be much occupied with deliberations of the economic conference now in session at London and with the practical uses which the President will make of the vast power conferred upon him. Little of immediate value to domestic business is expected from the economic conference, however, and there is even a danger that it may serve to intensify the present economic rivalries between nations.

Fortunately, we are less dependent upon foreign trade than most other nations; so that a considerable measure of business prosperity can be enjoyed at home even if events should force us to become even more isolated commercially from the rest of the world. For this reason the measures for industrial and fiscal control to be adopted by the Administration during the next few months will be of far greater direct interest to American business than any foreign developments which the near future may hold in store. With an embargo on gold exports and restrictions upon dealings in foreign exchange, our own recovery seems to be no longer subject to serious interruption by disturbances originating in Europe.

Improvement in general business conditions has, in fact, gained such momentum during the past few months that any regulations which may be issued from Washington are more likely to accelerate than to retard our progress. Practically all of the country's leading industries, excepting petroleum. have already participated in the recovery, and petroleum betterment is in sight. The most remarkable comeback has been in steel, where operations at 47% are now more than double the very low rate of a year ago and still increasing, albeit last year a seasonal peak was reached during the third week of May. Coal and lumber production are a third higher than a year ago, automobile assembling and car loadings are up 15%, while electric power output shows an 8% gain over 1932.

To readers who may not have become familiar yet with the construction and interpretation of the Wyckoff Barometer it must be rather puzzling to observe that our index of Business Activity has now risen higher than in 1929 when prosperity was at its peak. Of course, this cannot mean that business is better now than in 1929, since it is a matter of common knowledge that the true level is still nearly 40% lower than in 1929. The apparent contradiction disappears upon noting that our index of Business Activity expresses the average physical volume of production, distribution, and trade in percentages of the previous year, whereas other published indexes are expressed in percentages of some theoretical normal. What our index shows now is that business, on an average, is 15% better than a year ago at this time—whereas, in 1929, business was only 10% better than in 1928. It is possible to convert our index into the more familiar form showing Business Activity in terms of an assumed normal. This was done in our issue of May 10, where it was shown that business activity had risen to 70% of normal, from the extreme low of around 50%.



The New Orders graph, which is also expressed in terms of the previous year, has not risen so rapidly; but the latest point for which reports are now available is nevertheless only 12% lower than a year ago. Raw material prices are about 35% higher than a year ago. Wholesale prices, on the other hand, which are always slower to move in either direction, have recovered only to last year's level; while prices at retail, which invariably lag most, are still off about 6%. With such gains in prices and in the volume of business, the outlook for many industries shows gratifying improvement, as may be gathered from the following more detailed examination:

The Trend of Major Industries

STEEL—Prices of steel products, including scrap, continue to rise slowly. Operations have advanced to 47% of capacity, compared with only 17% a year ago, and a number of the independents are now earning a little money. Continued demand from the automobile industry is a sustaining factor, though general demand holds up surprisingly well for this season of the year. Some of the tin plate mills are at 80% to 90% of capacity, and there has been enough demand for cast iron pipe to permit an advance of $3 a ton. If reflationary influences continue to operate over the next few months, there may be little if any seasonal recession in the steel industry this summer; for inventories are still about 30% below normal requirements.

METALS—The past month has witnessed a gratifying rise in practically all metal prices. Silver is up three cents to 36, lead has advanced a half cent to 4.25, zinc is 0.6 cent better at 4.35, silver has risen three cents to 36.5, copper now moves at eight cents against seven a month ago, and tin has spurted to 45⅝ cents from 36¼. At eight cents a few of the domestic copper mines are able to show a small profit. There is talk of stabilizing the red metal around nine cents in the near future, under protection of the Industrial Recovery Act. At the latter price most copper mines in this country could earn a moderate profit without courting the danger of competition from foreign dumping. Patino mines in Bolivia, the chief low cost producer of tin, can operate in the black at any price above 40 cents.

PETROLEUM—Last week the Railroad Commission ordered a decrease in allowable production from the East Texas field to 550 million bbls. daily from the former excessive limit of 820 millions. If this order can be enforced, and bootleg oil checked, conditions in the oil industry will improve rapidly. Prices hitherto have been held down solely by bootleg oil and by the menace of huge potential supplies below ground. The statistical position above ground is much stronger than is generally realized. Total liquid stocks on May 1st were down to 503 million bbls., from an all time high of 639 millions early 1930, and only 12 millions above the lowest inventories at this season in seven years. During the month of April only 472 new wells were brought in, as compared with 792 producers brought in a year ago during the corresponding month. Any development which would carry assurance of an effective and durable control over production would stimulate a sharp improvement in the industry. In the mid-continent field, premiums of 25 cents above posted prices are even now being obtained for crude.

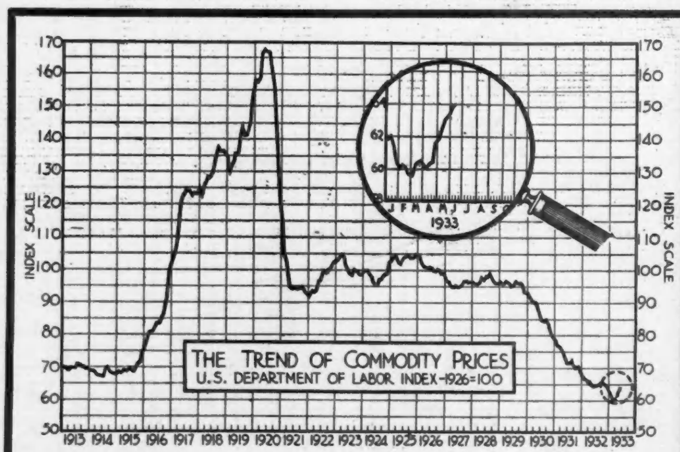
CHEMICALS—The sharp improvement in general business activity has caused a corresponding increase in demand for the general line of industrial chemicals. Sales of sulphur, the source of sulphuric acid which is used in many industries, including steel and paper, have picked up encouragingly, while exports are running about 10% ahead of last year. Carbon black is being much benefited by greater acivity in tires and by increased appropriations for advertising which have bettered the demand for printer's ink.

BUILDING MATERIAL—Demand for paint has risen so sharply during the past few weeks that domestic supplies of linseed oil have proved inadequate and flaxseed has advanced from a low of 90 cents to the current level of $1.60, at which point it is proving profitable to import that raw material from Argentina over an import duty of 65 cents a bushel. Lumber prices are higher and orders gaining. The prospect of the public works program and revived residential building are greatly improving the outlook for and increasing activity in cement and other building materials.

SOAP—Advertised soap brands have been advanced 5% to 7% and, with inventories acquired at bottom prices, the outlook for this industry begins to brighten.

Conclusion

So long as our Business Activity index continues to rise, it will be reasonably safe for business to plan ahead confidently without undue anxiety over developments abroad and without much apprehension over what Washington is going to do. The fact that our New Orders graph has not risen so rapidly as the Business Activity index should occasion no uncertainty. It merely signifies that shelves are being cleared of old merchandise before ordering more. This policy results in a healthy reduction in inventories which helps to raise prices and permits continued ease in the Cost of Business Credit. Thus the stage is being set for gratifying improvement in earnings within the near future, a prospect which is being discounted by the steady rise in our Common Stock Index.

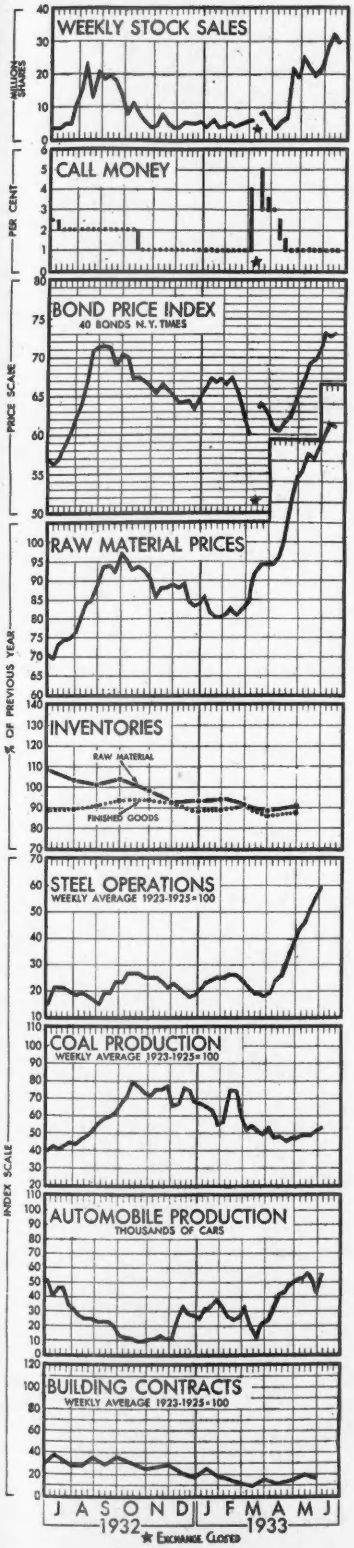


Changes in Major Commodity Price Groups for the Fortnight Ended June 10, 1933

Farm products	up	0.1	Metals	up	0.6
Foods	up	0.7	Building materials	up	1.4
Hides and leather	up	2.0	Chemicals	up	0.6
Textiles	up	2.5	Housefurnishings	up	0.5
Fuel and lighting	down	0.2	Miscellaneous	up	0.7

The Magazine of Wall Street's Indicators

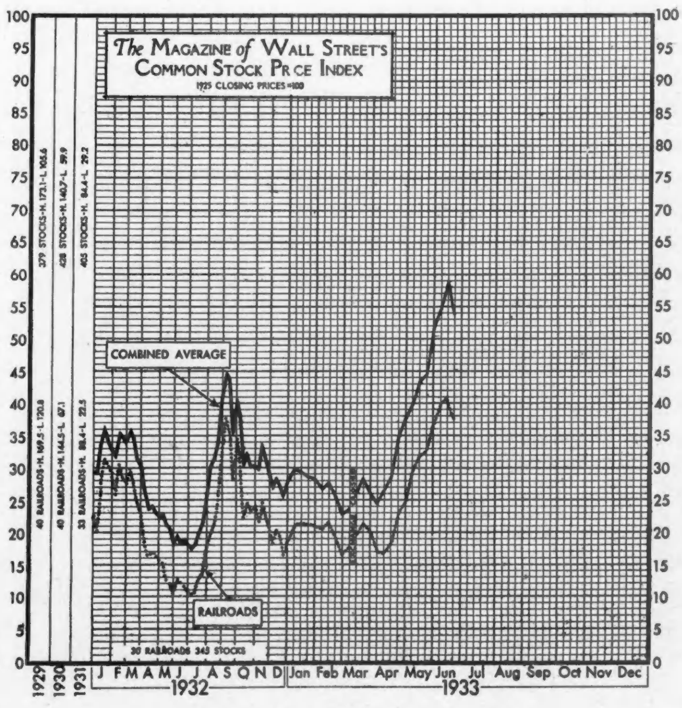
Business Indexes



Common Stock Price Index

1932 Indexes High	1932 Indexes Low	1932 Indexes Close	Number of Issues		1933 Indexes High	1933 Indexes Low	June 3	June 10	June 17
45.0	17.5	27.4	280	COMBINED AVERAGE	58.8	22.7	54.7	58.8h	53.8
66.8	17.9	32.3	3	Agricultural Implements....	100.6	26.8	84.8	100.6h	81.2
59.3	11.4	16.9	6	Amusements..............	30.2	7.3	30.2h	29.9	28.3
31.3	10.7	17.5	14	Automobile Accessories....	45.6	12.4	40.5	45.6h	40.4
17.6	5.8	10.6	14	Automobiles..............	19.5	7.3	17.8	19.5h	17.3
62.5	16.2	56.2	4	Aviation (1927 Cl.—100)....	85.5	41.8	78.1	85.5h	77.5
13.1	4.8	5.6	3	Baking (1926 Cl.—100).....	20.8	5.1	19.8	20.2	17.5
129.9	60.1	86.0	2	Biscuit..................	149.5	79.9	148.7	149.0	143.4
83.8	29.6	47.4	5	Business Machines........	109.4	39.8	100.2	109.4h	100.0
119.0	51.0	101.5	2	Cans....................	161.5	92.9	157.0	161.5h	156.3
113.3	53.6	96.3	8	Chemicals & Dyes.........	166.4	73.2	163.9	166.4h	161.1
44.3	13.1	18.9	2	Coal....................	30.8	12.0	27.9	30.8h	25.9
24.8	9.9	14.2	14	Construction & Build. Mat..	30.9	11.2	27.6	29.4	30.9h
57.2	14.9	24.0	8	Copper..................	70.6	21.2	67.8	70.6h	60.1
57.8	28.3	32.6	2	Dairy Products...........	45.4	23.0	42.4	45.4h	42.4
16.3	4.5	7.9	7	Department Stores........	20.2	6.6	18.9	20.2h	17.9
74.3	35.1	53.7	8	Drug & Toilet Articles.....	86.1	45.3	78.9	86.1h	78.9
63.9	28.7	42.2	4	Electric Apparatus........	87.2	35.6	76.7	87.2h	79.8
58.7	23.7	33.2	2	Finance Companies........	84.1	33.2	81.1	77.9	84.1h
56.1	28.2	39.5	5	Food Brands..............	65.6	32.6	61.3	65.6h	58.8
56.4	33.9	49.6	3	Food Stores..............	72.5	40.5	67.5	72.5h	69.1
41.8	11.7	17.0	2	Furniture & Floor Covering.	36.3	13.8	31.7	36.1	36.3h
527.8	357.9	514.0	2	Gold Mining	1148.0	481.2	938.0	1148.0H	941.5
21.1	9.6	12.4	4	Household Equipment.....	25.0	10.5	24.6	25.0h	22.4
31.5	9.5	22.0	7	Investment Trusts.........	34.5	14.5	30.5	34.5h	32.2
27.4	7.7	20.0	2	Mail Orders..............	36.9	13.5	33.5	36.9h	33.5
55.8	19.3	30.1	7	Metal Mining & Smelting..	97.2	30.1	87.8	97.2h	83.1
42.4	21.6	33.2	24	Petroleum & Natural Gas...	73.5	29.3	66.6	73.5h	68.7
22.5	6.2	9.8	4	Phonos. & Radio (1927-100)	26.6	6.7	26.3	26.6h	23.2
94.9	37.1	63.5	20	Public Utilities...........	100.6	40.8	83.1	100.6h	91.2
37.8	12.0	17.7	8	Railroad Equipment........	51.0	17.7	47.0	51.0h	47.4
37.8	10.4	18.1	29	Railroads................	40.9	16.3	39.8	40.9h	37.4
44.4	14.9	27.0	2	Restaurants..............	34.0	19.9	30.3	34.0h	29.6
89.9	58.0	60.8	2	Soft Drinks (1926 Cl.-100)..	106.8	57.8	105.4	104.9	95.0
45.9	11.7	23.3	7	Steel & Iron..............	55.9	19.1	50.3	55.9h	52.7
12.4	3.8	7.3	3	Sugar...................	22.2	7.3	21.4	22.2h	19.4
121.6	53.9	112.1	2	Sulphur..................	161.0	79.3	158.9	161.0h	145.0
57.2	21.0	35.9	3	Telephone & Telegraph....	71.0	28.1	63.7	71.0h	64.4
52.5	16.3	30.1	5	Textiles.................	72.6	22.5	58.3	72.6h	63.4
11.0	2.5	4.4	4	Tires & Rubber...........	12.9	3.0	12.9h	12.7	10.9
68.6	40.8	48.2	4	Tobacco.................	83.9	46.2	79.3	83.8h	78.9
57.0	17.9	22.7	3	Traction.................	44.1	22.3	41.9	43.1	44.1h
50.9	23.3	34.3	2	Variety Stores............	45.2	23.3	40.6	45.2h	44.7

H—New High record since 1928. h—New high this year.



(An unweighted index of weekly closing prices; compensated for stock dividends, splitups, and rights; and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

PERSONAL SERVICE SECTION

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer, by mail or telegram, inquiries on any listed securities in which you may be interested, or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts but be brief.
2. Confine your requests to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your first inquiry.

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HUPP MOTOR CAR CORP.

At its present price of 5¾, I am practically even on 200 shares of Hupp Motors I bought near the low in 1929. What do you think of the prospects for this company? Would you continue to hold its stock as a moderate speculation?—K. M., Reading, Pa.

Hupp Motor Car Corp., although one of the smaller maufacturers, has always enjoyed a high reputation for quality products. In spite of deficit operations in past months, it has retained a comfortable financial position and should be able to take full advantage of improved business conditions now becoming evident. Results for the first quarter of 1932 were still unprofitable but showed a smaller loss than for the corresponding period a year ago, net deficit for the 1933 quarter being $522,997 against $596,176 for the initial three months of 1932. With the upturn in general industrial conditions reflected in increased automobile sales, it is believed that Hupp should be able to reduce substantially in 1933 the deficit figures equivalent to $3.40 a share reported for 1932 and of $3.19 a share for 1931, even if profits should not be achieved this year. A sound financial condition was evident in the total current assets of $6,764,768 as of March 31, 1933, including $1,983,904 cash compared with current liabilities of $941,897. Although all current items were lower at the latest report by contrast with the previous year, working capital of $5,822,871 for the first quarter of 1933 was ample for normal business operations. Having no funded debt, no bank loans and ample working capital and reserves, Hupp Motor is in position to benefit fully from the better outlook and we therefore advocate continued retention of your moderately speculative commitment in the shares for their longer term potentialities.

INGERSOLL-RAND CO.

I am naturally pleased with the recent advance of Ingersoll-Rand common. I am not exactly clear, though, on what this advance was based and will, therefore, appreciate any information with which you may favor me, and whether you would sell 75 shares which cost 138, *or continue to hold?—H. D. N., Los Angeles, Calif.*

Occupying a leading position in the manufacture of pneumatic tools, engines and compressed air machinery of various types, Ingersoll-Rand has experienced a steady decline in income during the current depression. Its products are widely employed in the steel and construction industries throughout the world, while mining machinery is also an important factor in total sales. The company reported for the year ended December 31, 1932, a net loss of $2,935,919, compared with $165,721 loss in the previous year. Despite these unsatisfactory results, a sound financial position has been maintained, total current assets of December 31, last, amounted to $26,191,987 including cash and marketable securities of $16,681,740, while total current liabilities stood at $968,642. Thus, the concern is well able to comfortably weather a further period of deficit operations. It is believed, however, that the worst of the earnings decline has already been witnessed, since the company should benefit materially from the increased activity in the steel industry, while the construction program of the Federal Government should result in sizeable orders for equipment. We feel, therefore, that you should retain your commitment in the shares with a view toward longer term developments and further price enhancement.

GREAT NORTHERN RAILWAY

Do you not believe that Great Northern preferred should be selling at higher prices in view of its strong position, and because of the rising prices for grain and iron ore which make up a large part of its traffic? I am wondering if there is not some aspect of the situation I have not considered and I will appreciate any details you may give me. Do you advise holding or selling this stock?—A. J. B., Seattle, Wash.

We have little doubt that the higher prices for grain and iron ore should prove very beneficial to Great Northern

When Quick Service Is Required Send Us Prepaid a Telegram and Instruct Us to Reply Collect

Railway, whose chief traffic items are those commodities. Large quantities of both classes of goods have been stored along the lines of the road awaiting a chance to move to market, and the renewed activity in the industries using those commodities indicates larger traffic volume for the road. With steel operations up to a point above 40% of capacity and grain movements stimulated by advancing prices and increased demand, it appears obvious that Great Northern's gross and net will show a gratifying gain for this year over the figures of a year ago. The advent of beer will undoubtedly bring the line enhanced business also. In the item of "Funded debt due within six months" in the latest balance sheet is found one aspect that may have acted as a deterrent against a sharper market rise than would otherwise seem justified. This figure of $42,838,000 at the end of last March, compared with $875,000 a year before, includes the maturity of $41,963,000 of St. Paul, Minneapolis & Manitoba bonds due July 1, next, assumed by the Great Northern, for which the road did not have funds and apparently could not be sure of borrowing. However, it now seems certain that this difficulty will be removed by the extension of these bonds for ten years at 5% with a cash payment of $38.10 for each $1,000 bond, since the Interstate Commerce Commission has approved the plan and an overwhelming majority, exceeding 96% of the holders of Great Northern 1st & Refunding bonds, whose consent was necessary, have assented to the extension of the assumed issue. With this factor settled, the improved operating conditions should be reflected marketwise and you are justified in holding your Great Northern preferred for further appreciation.

WARNER BROTHERS PICTURES, INC.

What is your judgment of Warner Brothers Pictures financially and marketwise? Assuming that a reorganization is necessary to adjust its debt burden, would you consider buying this stock at the present time as a good speculative risk?—B. C., San Diego, Calif.

By virtue of the fact that the motion picture industry must be regarded entirely as a luxury, recovery in that field is not likely to be as rapid as other industries furnishing the populous with necessities of life. Thus, earnings recovery for that industry probably will be a long drawn-out affair. Furthermore, many of the motion picture units are currently suffering from the error of over-expansion during the "boom era" of 1928 and 1929. Warner Bros. Pictures, Inc., appears to be in the foregoing category. As a result of a feverish expansion program during the period of high prices, the company now finds itself in rather straitened financial circumstances by virtue of heavy funded debt obligations assumed in connection with its acquisitions. The sharp falling off of theatre attendance in reflection of the increasing severity of the unemployment situation, coupled with the apparent dearth of "box office attractions" has resulted in a series of losses from operations since the fiscal year ended August 30, 1930. Thus far, Warner Bros. Pictures has been able to escape receivership, but when consideration is given to the unpromising earnings outlook for the remaining months of the current year, at least, as well as the burdensome funded debt of the company, the position of the common stock certainly must be looked upon as doubtful. We frankly regard the shares as unsuitable for funds of the average investor desirous of proceeding along reasonably conservative lines and therefore would not endorse purchase.

PURITY BAKERIES CORP.

At current prices I have only a small loss on my 100 shares of Purity Bakeries stock. I will, therefore, appreciate your advice as to the future for this company, and whether you would recommend selling this stock, or holding as a moderate speculation.—C. H., Pittsburgh, Pa.

It stands to reason that the baking industry should be among the first to respond to increased industrial activity attendant with any improvement in the unemployment situation, since, in the final analysis, that industry, for the most part, is engaged in furnishing a virtual necessity of life. Furthermore, those baking companies who have suffered losses during the depression from operations in the cake and pastry divisions, by far the most profitable departments of the field during normal times, are favorably situated to register substantial earnings gains with sustained business revival. Purity Bakeries Corp. may well be included in the foregoing category. The company, by virtue of the fact that it has more or less confined its activity in centers of concentrated population, where the unemployment situation has been most severe, has been particularly hard hit. On the other hand, with definite signs of business recovery currently in evidence, the downward trend of earnings of Purity Bakeries Corp. appears to have been checked, since the first interim report of the current year revealed profits almost equivalent to those of the corresponding period of 1932. Specifically, net income for the 16 weeks ended April 22, 1933 amounted to $116,094 or 15 cents a share on the no par common stock, as against $118,593 or 15 cents a share on a slightly larger number of shares outstanding for the 16 weeks ended April 23, 1932. This comparatively favorable showing, coupled with the company's satisfactory financial condition at the close of 1932, enabled the management to pay the regular quarterly dividend of 25 cents a share on the common stock on June 1, last. Admittedly, the common stock is speculative, but since you have maintained your position through what appears to have been the worst phases of the depression, we see little to be gained by liquidating your holdings at this late date.

P. LORILLARD CO.

What is your opinion of the early outlook for Lorillard common? At its present quotations do you believe it discounts the anticipated advance in cigarette prices? Would you continue to hold or sell 100 shares bought at 28?—R. L. T., Detroit, Mich.

Although no iterim statements have been published by P. Lorillard Co. thus far during the current year, recent reports relative to the production of cigarettes have been distinctly favorable, particularly as they effect the "Big Four." As this is being written, Lorillard is doubtless receiving the bulk of its profits from the manufacture and sale of cigars, Turkish cigarettes, scrap tobacco and smoking tobacco. However the prospect of a moderate increase in wholesale prices of "Old Gold" cigarettes, its most popular product, in the not too distant future, should enhance earnings potentialities for the remaining months of the year. The anticipated advance in wholesale cigarette prices is predicated upon the belief that the most recent price reduction has effectively combated the competition of the "10-cent" brands. This factor, coupled with the management's aggressive sales and advertising policies, as well as improvement in the unemployment situation, as a result of increased industrial activity, certainly augurs well for the medium term prospects of the enterprise. Any attempt at this writing to anticipate full 1933 earnings would be purely conjectural and unwarranted. However, when consideration is given to the excellent financial condition at the close of last year, as well as the improved outlook, current quarterly dividend rate of 30

(*Please turn to page 243*)

New York Stock Exchange

RAILS

	1931		1932		1933		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	6/14/33	Share
A								
Atchison	202⅜	79¼	94	17⅞	71¼	34⅝	66	..
Atlantic Coast Line	120	25	44	9¾	48½	16½	45⅞	..
B								
Baltimore & Ohio	87⅞	14	21⅜	3¾	23	8¼	21⅝	..
Bangor & Aroostook	66¾	18	35¾	9½	35½	20	34	2
Brooklyn-Manhattan Transit	69⅜	31⅛	50¼	11⅛	39¾	21¾	38⅞	..
C								
Canadian Pacific	45⅜	10¾	20⅝	7¼	17⅜	7½	16¼	..
Chesapeake & Ohio	46½	23⅜	31½	9¾	41⅞	24⅝	37⅝	2
C. M. & St. Paul & Pacific	8⅞	1½	4½	¾	6¼	1	5⅜	..
Chicago & Northwestern	45½	5	14½	2	10⅜	1¼	7¼	..
Chicago, Rock Is. & Pacific	65½	7⅞	16⅜	1½	9¼	2	5	..
D								
Delaware & Hudson	157½	64	92½	32	80⅞	37⅝	77	..
Delaware, Lack. & Western	102	17¾	45⅞	8½	37¼	17¼	34½	..
E								
Erie R. R.	39¾	5	11¾	2	14⅝	3¾	13⅜	..
G								
Great Northern Pfd	69¾	15⅝	25	5½	23⅞	4⅝	21⅞	..
H								
Hudson & Manhattan	44½	26¼	30¾	8	19	11½	18	..
I								
Illinois Central	89	9⅛	24⅞	4¾	33¼	8½	30⅜	..
Interborough Rapid Transit	34	4⅝	14⅝	2¼	9⅝	4⅛	8¾	..
K								
Kansas City Southern	45	6⅞	15¼	2¼	21	6½	19	..
L								
Lehigh Valley	61	8	29¼	5	21¼	8⅝	19	..
Louisville & Nashville	111	20¼	38¼	7½	55	21¼	52¾	..
M								
Mo., Kansas & Texas	26¾	3⅞	13	1¼	16½	5¾	14½	..
Missouri Pacific	42¾	6⅝	11	1½	7½	1⅛	5¼	..
N								
New York Central	132¼	24⅞	36⅝	8¾	37¾	14	36½	..
N. Y., Chic. & St. Louis	88	2½	9¾	1½	12⅝	2⅛	10¾	..
N. Y., N. H. & Hartford	94⅞	17	31⅝	6	27⅜	11⅛	25¾	..
N. Y., Ontario & Western	13⅞	5¼	15¾	3⅝	14¾	7⅝	13	..
Norfolk & Western	217	105⅝	135	57	152	111½	146	8
Northern Pacific	60⅞	14½	25⅜	5½	25⅝	9⅝	23¼	..
P								
Pennsylvania	64	16¼	23⅜	6½	29¼	13¾	27⅝	.50
Pere Marquette	85	4	18	1¾	27½	3⅞	24	..
R								
Reading	97½	30	52¼	9½	56	23½	52	1
S								
St. Louis-San Fran	62¾	3	6⅝	⅝	3½	⅞	3	..
Southern Pacific	109½	26½	37⅝	6½	27⅜	11⅛	25⅛	..
Southern Railway	65⅞	6⅜	18½	2½	25⅝	4⅛	23⅝	..
U								
Union Pacific	205⅛	70⅛	94½	27⅝	117½	61¼	112	6
W								
Western Maryland	19⅝	5	11⅜	1½	12⅞	4	11¾	..
Western Pacific	14⅞	1¾	4¾	½	5	1	4	..

INDUSTRIALS and MISCELLANEOUS

	1931		1932		1933		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	6/14/33	Share
A								
Adams Express	23½	3⅛	9½	1⅝	12⅜	3	10⅝	..
Air Reduction, Inc	109¾	47⅝	63½	30⅞	85	47½	79½	3
Alaska Juneau	20⅛	7	16⅝	7¾	24⅞	11⅛	21¼	.60
Alleghany Corp	12¾	1⅛	3⅝	⅜	5	⅞	3¾	..
Allied Chemical & Dye	182¾	64	88¼	42½	122⅜	70¾	118	6
Allis Chalmers Mfg.	42¾	10½	15⅜	4	21½	6	19¾	..
Amer. Brake Shoe & Fdy	38	13½	17⅞	6½	32¼	9⅛	31	.60
American Can	129¾	58⅛	73⅞	29⅝	95⅞	49½	90⅝	4
Amer. Car & Fdy	38¾	4½	17	3⅛	25¾	6⅛	24¼	..
Amer. Com'l Alcohol	14½	5	27	11	35¾	13	32⅝	..
American Ice	31⅝	10½	21⅝	3⅜	13¼	3¾	10⅞	..
Amer. International Corp	26	5	12	2½	13⅞	4¼	12½	..
Amer. Mchy. & Fdry	43¾	16	22¼	7½	19¾	8¾	19	.80
Amer. Power & Light	64⅞	11⅝	17¼	3	15½	4	14⅜	..
Amer. Radiator & S. S.	21½	5	12¼	3⅛	15½	4⅝	14⅝	..
Amer. Rolling Mill	37⅜	7⅜	18½	3	20½	5¾	18¾	..
Amer. Smelting & Refining	58½	7½	27¼	5⅛	37½	10¾	34⅝	..
Amer. Steel Foundries	31¼	5	15⅛	3	21½	4⅝	18½	..
Amer. Sugar Refining	60	34½	39¼	13	70	21½	63½	2
Amer. Tel. & Tel	201¾	112⅛	137⅜	70¼	132	86½	127¾	9
Amer. Tobacco Com	128¾	60½	86¾	40½	89¾	49	84	5
Amer. Tob. B	132¾	64	89¾	44	93⅞	50¾	88½	5
Amer. Water Works & Elec	80¾	23⅛	34½	11	41	10⅞	38	1
Amer. Woolen	11⅞	2⅝	10	1⅝	13⅞	3½	12⅜	..
do Pfd	40	15¼	39⅞	15½	52⅜	22⅝	50⅜	..
Anaconda Copper Mining	43¼	9¼	19⅜	3	18⅝	5	16⅞	..
Armour Ill. A	4½	¾	2¾	⅝	7¾	1⅛	4¾	..
do B	2⅞	½	2	⅜	4½	¾	3	..
Atlantic Refining	23⅝	8⅝	21⅞	8⅝	28⅜	12⅜	26⅛	1
Auburn Auto	295½	84½	51¾	28¾	73¾	31¼	67¼	2
Aviation Corp. Del	6⅛	2	8⅞	1½	13⅞	5½	12⅝	..
B								
Baldwin Loco. Works	27⅞	4⅝	12	2	12½	3½	10¾	..
Barnsdall Corp. Cl. A	14½	4	7	2⅜	9⅜	3	8¾	..
Beatrice Creamery	31	37	43½	10½	22⅞	7	21⅞	..
Beech-Nut Packing	62	37½	45¾	29¼	..	..	..	..
Bendix Aviation	25½	12⅝	18¾	4½	18½	6⅛	17	..

Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1931		1932		1933		Last Sale	Div'd
	High	Low	High	Low	High	Low	6/14/33	$ Per Share
B								
Best & Co.	46¼	19¾	24⅞	5¾	25	9	23	..
Bethlehem Steel Corp.	70⅛	17¼	29⅝	7¼	31⅞	10⅛	30	..
Bohn Aluminum	43	15½	22¼	4⅞	48¾	9½	44⅝	1
Borden Company	76½	35⅛	43⅛	20	18	36⅞	35¾	1.60
Borg Warner	30¾	9	14¼	3⅜	20	5½	18⅛	..
Briggs Mfg.	22¾	7½	11¾	2⅞	13¾	2⅝	12⅜	..
Burroughs Adding Mach	32¼	10	13¼	6¼	19½	6⅛	18	.40
Byers & Co. (A. M.)	69¾	10⅞	24⅝	7	28⅜	8½	26¼	..
C								
California Packing	53	8	19	8	25½	7¾	24⅜	..
Canada Dry Ginger Ale	45	10⅜	15	6	23	7½	19⅜	1
Case, J. I.	131½	33¼	65¾	16¾	90¼	30½	84⅝	..
Caterpillar Tractor	52½	10¼	15	4⅜	23¼	5½	21⅛	..
Cerro de Pasco Copper	30⅛	9⅞	15½	3½	27⅝	5⅞	24⅞	..
Chesapeake Corp.	54⅛	13⅞	20¾	4⅞	40	14⅞	37⅝	2
Chrysler Corp.	25¾	11¾	21¾	5	26¾	7¾	26⅜	..
Coca-Cola Co.	170	97½	120	68½	93⅛	73½	91	6
Colgate-Palmolive-Peet	50½	24	31½	10¼	22	7	18¾	..
Columbian Carbon	111⅝	32	41⅞	13½	63¼	23⅛	59⅛	2
Colum. Gas & Elec	45⅝	11⅝	21	4¼	27	9	25⅛	.80§
Commercial Credit	23¼	8	11	3⅞	14½	4	14	..
Comm. Inv. Trust	34	15½	27⅞	10⅞	37¾	18	35	2
Commercial Solvents	21½	6⅝	13¾	3½	20½	9	18⅞	.60
Commonwealth & Southern	12	3	5⅛	1⅝	6⅛	1⅜	5⅜	..
Congoleum-Nairn	14¾	6⅞	12¼	6½	18¼	7⅜	17¼	.60
Consolidated Gas of N. Y.	109⅝	57¼	68¾	31½	64⅛	40	60½	3.40
Consol. Oil	15⅞	4⅛	9	4	14½	5	13⅝	..
Continental Baking Cl. A	30	4½	8	2⅞	17½	3	14¾	..
Continental Can, Inc	62¾	30¼	41	17⅝	60	35¼	56¾	2
Continental Insurance	51⅞	18⅛	25¼	6¾	29½	10½	28⅜	1.20
Continental Oil	12	5	9⅜	3⅝	15	4⅞	14¼	..
Corn Products Refining	86⅝	36¼	55⅛	24¾	78⅜	45⅜	73⅝	3
Crown Cork & Seal	38¼	13¾	22⅞	7⅞	55⅜	14¼	52	..
Cudahy Packing	46⅞	29	35½	20	59½	20¾	53	2½
Curtiss Wright, Common	5⅞	1	3¼	⅞	3⅞	1½	3⅜	..
D								
Diamond Match	23	10⅝	19⅛	12	25	17½	24	1
Dome Mines	13½	6⅝	12⅞	7½	34¾	12	31⅝	1.55*
Dominion Stores	24	11	18½	11¼	21	10½	18⅞	1.20
Douglas Aircraft	21¼	7⅞	18⅝	5	18	10¼	17	.75
Drug, Inc	78¾	42¾	57	23	58½	29	55½	3
Du Pont de Nemours	107	50¾	59¾	22	83½	32⅛	76½	2
E								
Eastman Kodak Co	185¾	77	87⅞	35¼	85	46	81¾	3
Electric Auto Lite	74⅜	20	32¾	8½	26⅜	10	24⅛	..
Elec. Power & Light	60¾	9	16	2¾	15⅜	3⅛	14	..
Elec. Storage Battery	66	22	33¼	12⅝	50	21	45½	2
Endicott-Johnson Corp	45⅜	23½	37¼	16	60⅛	26	56¾	3
F								
Firestone Tire & Rubber	21½	12⅞	18⅞	10½	25¾	9⅛	23	.40
First National Stores	63	41	54½	35	68¾	43	65¼	2½
Fox Film Cl. A	38⅜	2½	5⅞	1	4⅞	¾	4½	..
Freeport Texas Co	43¼	13¼	28⅝	10	40½	16⅛	36⅛	2
G								
General Amer. Tank Car	73⅛	28	35¾	9½	37⅜	13¾	35½	1
General Asphalt	47	9⅝	15½	4¾	17⅜	4⅝	16	..
General Baking	25⅝	9½	19⅝	10½	20¼	13	18¼	2
General G. & E. A.	8½	1⅛	2¾	⅜	2⅞	⅝	2¼	..
General Electric	54¾	22⅞	26⅛	8½	25	10½	24	.40
General Foods	56	28¼	40½	19⅝	38½	21	35⅞	1.60
General Mills	50	29⅛	48½	28	60½	35½	58¼	3
General Motors Corp	48	21⅜	24⅝	7⅝	28¼	10	26¾	1
General Railway Signal	84⅛	21	28⅝	6⅛	38¼	13¼	35¾	1
General Refractories	57⅜	12	15⅜	1¾	14⅜	2½	12⅜	..
Gillette Safety Razor	38¾	9¼	24¼	10⅜	20¼	9¾	16¼	1
Gold Dust Corp	42⅛	14½	20⅝	8¼	24½	12	24	1.20
Goodrich Co. (B. F.)	20⅞	3⅜	12⅜	2¼	17⅞	3	15⅞	..
Goodyear Tire & Rubber	52¾	13¾	29¾	5½	38¼	9¼	35	..
Gulf States Steel	37½	4	21⅛	2½	27½	6¾	26	..
H								
Hershey Chocolate	103¾	68	83	43½	58	35⅛	56	3
Houston Oil of Texas (New)	14	3	28¼	8¾	33¼	8¼	30½	..
Hudson Motor Car	26	7¾	11¾	2⅞	13¼	3	11½	..
Hupp Motor Car	13⅛	3¾	5⅜	1½	7¼	1⅝	6	..
I								
Ingersoll-Rand	182	25⅜	44⅞	14¾	76¾	19⅛	72	1½
Inter. Business Machines	179¾	92	117	52½	135⅜	75¾	133	6
Inter. Cement	62½	16	18¾	3⅝	29½	6⅛	27	..
Inter. Harvester	60½	22⅜	34⅛	10⅜	41⅜	13⅝	38⅝	.60
Inter. Nickel	20⅛	7	12½	3½	18⅞	6¾	17½	..
International Shoe	54	37	44⅜	20¼	51¾	24⅜	47¼	2
Inter. Tel. & Tel.	38¾	7⅛	15¾	2⅝	21⅛	5⅛	18⅜	..
J								
Johns-Manville	80¾	15⅝	33⅜	10	48	12¼	47⅜	..
K								
Kennecott Copper	31½	9⅝	19¼	4⅞	22	7⅜	20	..
Kresge (S. S.)	29⅝	15	19	6⅝	15¾	5½	14½	..
Kroger Grocery & Baking	35½	12½	18⅞	10	32⅜	14½	30	1
L								
Lambert Co	87⅞	40⅛	56¾	25	40¼	22⅛	38⅞	4
Lehman Corp.	69⅜	35	51⅞	30½	71	37½	67	2.40
Liggett & Myers Tob. B	91¾	40	67¼	34⅛	95¾	49½	91	5*
Liquid Carbonic	55⅛	13½	22	9	36¾	10¼	32	..
Loew's, Inc.	63½	23⅞	37¾	13¼	24	8½	22¾	1
Loose-Wiles Biscuit	54⅞	29⅞	36⅜	16½	40½	19¼	39	2
Lorillard	21⅞	10	18⅜	9	23⅜	10⅜	22	1.20
M								
Mack Truck, Inc.	43⅞	12	28¾	10	40¾	13½	39	1
Macy (R. H.)	106⅛	50	60½	17	61⅜	24¼	58⅜	2

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1931 High	1931 Low	1932 High	1932 Low	1933 High	1933 Low	Last Sale 6/14/33	Div'd $ Per Share
M								
Marine Midland	24¼	9¼	14⅜	6½	11½	5¼	10	.40
Mathieson Alkali	31½	12	20⅞	9	32½	14	29¾	1½
May Dept. Stores	39	15⅝	20	9½	30	9¾	27⅝	1
McKeesport Tin Plate	103½	38½	62¼	28	85½	44⅛	85⅝	4
Mont. Ward & Co.	29¼	6⅝	16½	3½	25⅜	8⅝	23⅞	..
N								
Nash Motor Co	40⅞	15	19¾	8	22½	11⅛	20⅜	..
National Biscuit	83¾	36⅜	46⅞	20¼	56¾	31½	56	2.80
National Cash Register A	39¾	7⅛	18¾	6¼	20⅞	5⅛	19¾	..
National Dairy Prod	50¾	20	31⅜	14⅜	23⅝	10½	22	1.20
National Power & Light	44¼	10¼	20⅜	6⅝	20⅜	6⅞	18½	1
National Steel	58⅛	18½	33⅞	13½	52	15	49	1
Nevada Consol. Copper	14¾	4¾	10¼	2½	11⅜	4	10	..
North Amer. Aviation	11	2⅜	6⅝	1¼	8½	4	8	..
North American Co	90¼	26	43¼	13¾	36¼	15¼	34⅜	§8%
O								
Ohio Oil	19½	5⅛	11	5	15¼	4¾	14¼	..
Otis Elevator	58½	16⅛	22½	9	22½	10⅛	21½	.60
Otis Steel	16⅜	3½	9¼	1¼	9¼	½	8¼	..
Owens Ill. Glass	39¾	20	42¼	12	79⅜	31½	75	2
P								
Pacific Gas & Electric	54⅞	29⅝	37	16⅞	31¼	20	29¼	2
Pacific Lighting	69½	35	47½	20¾	43⅜	25¼	35½	3
Packard Motor Car	11⅞	3⅞	5¼	1½	6¾	1¾	5½	..
Paramount Publix	50	5½	11½	1½	2½	⅛	1⅝	..
Penney (J. C.)	44¾	26¾	34½	13	40½	19¼	38¾	1.20
Peoples Gas—Chic.	250	107	121	39	78	41⅜	72	5
Phelps Dodge Corp	25⅝	5⅞	11⅝	3⅞	15½	4½	13⅜	..
Phillips Petroleum	16⅝	4	8⅛	2	15	4¾	13¾	..
Proctor & Gamble	71¼	36⅜	42¾	19⅞	43½	19⅝	41⅝	1½
Public Service of N. J.	96½	49⅛	60	28	57⅛	33¼	53¾	2.80
Pullman, Inc.	58½	15¼	28	10½	47½	18	45	3
Pure Oil	11⅞	3¼	6½	2⅞	8⅞	2½	8¼	..
Purity Bakeries	55¼	10¾	15⅞	4⅜	23⅞	5⅞	21	1
R								
Radio Corp. of America	27½	5⅛	13½	2½	11¼	3	10½	..
Radio-Keith-Orpheum	4	2¾	7¾	1½	5¾	1	4½	..
Remington-Rand	19¾	1⅞	7½	1	9½	2½	8½	..
Republic Steel	25⅜	4⅛	13⅞	1⅞	19⅛	4	17⅝	..
Reynolds (R. J.) Tob. Cl. B	45½	32½	40¼	26½	46	26½	44⅜	3
Royal Dutch	42⅝	13	23¾	12⅛	28⅝	17⅝	27¼	.80½
S								
Safeway Stores	69½	38⅝	59¼	30⅛	57½	28	53½	3
Sears, Roebuck & Co.	63¼	30¼	37⅜	9⅞	35⅜	12½	34½	..
Seaboard Oil—Del.	20¾	5½	20⅜	6⅝	33½	15	30½	.60
Servel, Inc.	11¾	3½	5⅜	1½	5⅝	1½	4¾	..
Shattuck (F. G.)	29½	8¼	12¾	5	11¾	5¾	10¾	.24
Shell Union Oil	10¼	2½	8¾	2½	8⅝	4	7½	..
Simmons Co.	23¾	6⅞	13⅜	2¾	18⅞	4⅜	10⅝	..
Socony-Vacuum Corp.	21	8⅜	12¼	5¼	12¼	6	11½	..
So. Cal. Edison	54½	28⅜	32¾	15¾	28	7½	25⅛	2
Standard Brands	20½	10½	17⅞	8⅜	21½	13¾	20⅛	1
Standard Gas & Elec. Co.	88⅜	25⅛	34¼	7⅝	22½	5⅛	21⅛	..
Standard Oil of Calif	51¾	23⅛	31⅞	15⅛	35	19½	33¾	1
Standard Oil of N. J.	52½	26	37⅜	19⅞	38⅜	22¾	36⅞	1
Stewart-Warner	21⅞	4¾	8½	1⅞	9⅜	2½	8	..
Stone & Webster	54½	9⅞	17⅜	4⅝	17⅞	5¾	16	..
Studebaker Corp	26	9	13¾	2½	8⅜	1½	6½	..
T								
Texas Corp	36¼	9⅞	18¼	9¼	23½	10¾	22	1
Texas Gulf Sulphur	55¾	19½	26¾	12	30⅝	15¼	28⅝	1
Texas Pac. Land Tr	17⅝	4¼	8½	2½	11⅛	3½	10¼	..
Tide Water Assoc. Oil	9	2⅛	5⅝	2	8	3⅛	8	..
Timken Roller Bearing	59	16½	23	7¾	31¾	13¾	29⅜	.60
Transamerica Corp	18	2	7⅛	2⅛	8⅜	2⅝	8⅛	..
Tri-Continental Corp.	11¾	2	5½	1½	8⅛	2¾	7⅝	..
U								
Underwood-Elliott-Fisher	75¾	13⅜	24⅜	7⅜	32½	9¼	30	.50
Union Carbide & Carbon	72	27⅛	36⅜	15½	41⅞	19¾	40	1
Union Oil of Cal.	26⅝	11	15⅜	8	19	8½	18¼	1
United Aircraft & Trans.	38⅞	9⅞	34⅜	6½	36⅝	16½	34	..
United Carbon	28¾	6⅛	18	6⅝	27⅜	10¼	25	1
United Corp.	31¼	7½	14	3½	14½	4⅞	13	.40
United Corp. Pfd	52⅛	26⅛	39⅜	20	40⅞	24⅞	39	3
United Fruit	67¾	17½	32⅜	10¼	58	23¼	56	2
United Gas Imp	37½	15⅜	22	9¼	24½	14	21⅜	1.20
U. S. Industrial Alcohol	77⅜	20⅜	36¼	13¼	54	13½	47½	..
U. S. Pipe & Fdy	37⅛	10	18⅛	7¼	18⅝	6⅛	16⅞	.50
U. S. Realty	36¾	5½	11¾	2	13½	2½	12¾	..
U. S. Rubber	20⅜	3½	10¼	1¼	15¾	2⅞	14⅛	..
U. S. Smelting, Ref. & Mining	25¾	12⅜	22¾	10	55¾	13½	50⅜	1
U. S. Steel Corp.	152⅜	36	52⅝	21¼	58¾	23⅜	56	..
U. S. Steel Pfd.	150	94	113	51½	97⅞	52	95¾	2
Util. Power & Lt. A	31	7⅞	10⅜	1½	8⅞	1⅞	8	..
V								
Vanadium Corp	76¾	11	23¾	5¼	27⅝	7⅝	25¼	..
W								
Warner Brothers Pictures	20⅜	2⅛	4½	½	6½	1	5⅝	..
Western Union Tel.	150¾	33½	50	12⅜	64¼	17¼	56¾	..
Westinghouse Air Brake	36⅛	11	18⅛	9¼	31¼	11¾	29¼	1
Westinghouse Elec. & Mfg.	107¾	22½	43½	15⅝	49¼	19⅜	46⅛	..
Woolworth Co. (F. W.)	72¾	35	45⅝	22	44¾	25⅛	42¾	2.40
Worthington Pump & Mach	106⅞	15¼	24	5	37	8	35	..
Wrigley (W., Jr.)	80⅜	46	57	25¼	50¼	34½	49	3

§ Payable in stock. * Including extras.

Answers to Inquiries

(Continued from page 239)

cents a share appears assured. The recent mark-up in prices for the common stock of P. Lorillard Co. admittedly has gone far to discount prospects during the remaining months of 1933, but at the same time, we feel that should signs evidence themselves of a more optimistic outlook, still higher prices are conceivable. Thus, your interest will be well served by maintaining your present position.

WESTERN MARYLAND RAILWAY

Please give me your opinion as to whether I should hold or sell 125 shares of Western Maryland common. It is now selling higher than at any time since I bought it, yet considerably under what I paid for it two years ago. Now, in view of its increased deficit for the last period reported, I wonder if it wouldn't be wise to sell now and take my loss?—B. A. R., Philadelphia, Pa.

According to the latest available statement, for four months ended April 30, last, Western Maryland Railway just covered its fixed charges, reporting total income of $1,090,726 and surplus after charges of $1,721, compared with total income of $1,225,347 and surplus after charges of $145,191 for the corresponding period a year ago. These results were equal to a deficit of 93 cents a common share for the current period, an increase over the deficit of 67 cents a share as of April 30, 1932. In spite of deficit operations for the common stock throughout 1931 and 1932, a comfortable financial position was maintained, with current assets of $5,035,216 on March 31, 1933, against current liabilities of $3,674,781. This road also has an advantage over many others, being free from the difficulties of large nearby funded debt maturities, having only $217,000 due within six months and no heavy mortgage maturities before 1952. Bituminous coal traffic contributes more than 50% of Western Maryland's revenue, the decline therein accounting largely for the slump in earnings, but iron and steel products, gasoline and building materials also form an important part of its business. The upturn in those lines augurs well for the future. Moreover by virtue of the ownership by the Baltimore & Ohio of large amounts of the first preferred, second preferred and common stocks of the Western Maryland, the latter's traffic should be further augmented over a period of time. Although the common stock is far removed from earnings due to the accumulations equal to $101.50 a share on the first preferred as of January 1, 1933, the speculative possibilities in the common warrant retention for a long pull as opposed to a sale at a loss at this time.

AMERICAN METAL CO., LTD.

With talk of inflation waning, I am wondering if early business prospects warrant further advances in American Metal common? I have 150 shares for which I paid 36¼, and I would want to take my loss now, rather than later this year when I may want to realize on this investment. Please advise me whether to hold or sell now.—B. R., Stamford, Conn.

American Metal Co., Ltd., reported for the quarter ended March 31, 1933, a net loss of $313,573, as compared with $240,044 loss in the initial quarter of last year. The company is engaged directly or indirectly in practically all branches of the mining industry, and stands to benefit materially from advancing quotations and increased demand for gold, silver, copper, lead, zinc and by-products of these metals. Moreover, through its large interest in South African copper properties, the company is strategically situated to show substantial profits from world recovery in demad for the "red metal." Total current assets, as of December 31, 1932, including $3,705,038 cash and $3,464,520 current accounts receivable from uncontrolled subsidiaries, amounted to $18,713,162, while total current liabilities were $2,789,328. The leverage factor of the common stock is rather high, due to the fact that there are outstanding approximately $16,737,000 of 5½% notes, due on April 1, 1934, and $6,667,000 6% cumulative preferred stock on which no dividends have been paid since September, 1931. Thus, per share earnings on the common stock could mount rapidly in the event of a continuation of the forward movement in metal prices in evidence during the more recent past. While the shares are admittedly speculative, we suggest further retention of your present holdings.

E. I. DU PONT DE NEMOURS & CO.

I have been advised to buy 100 shares of du Pont common to average down 100 shares which cost 122¼. Do you recommend buying at current prices? What do you think of the potentialities for this company in further business expansion? Do you foresee any early advance in the dividend rate?—L. O. J., Jersey City, N. J.

The report of E. I. du Pont de Nemours for the quarter ended March 31, 1933, revealed a net income of $5,480,515, equivalent, after allowing for debenture dividends, to 35 cents a share on the common stock. Dividends received from holdings of General Motors common stock amounted to 23 cents a share. In the initial quarter of last year, per share earnings on the common stock totalled 74 cents, including dividends received from General Motors equivalent to 45 cents a share. Thus, the present dependence of du Pont upon the dividend policy and earnings of General Motors may be clearly seen. Nevertheless, the concern has a wide variety of interests in the chemical field, which should prove exceptionally profitable upon a return of more normal economic conditions. In the meantime, the strong financial position reported by du Pont at the year end will allow the company to carry on regardless of what might happen to its holdings of General Motors. Total current assets as of December 31, last, amounted to $107,325,753, including cash of $20,976,198, while total current liabilities were $8,819,800. The company is constantly developing new products, through extensive research, and acquiring new interests; the recent acquisition of Remington Arms Co., Inc., for example. This wide diversity of activity places du Pont in a position to share fully in business recovery. While common dividends may not be increased at an early date, and even the present rate of disbursements cannot be regarded as entirely secure, it is felt that additional purchases of the shares, during periods of market weakness, are fully justified by the promising longer term earnings outlook.

LOOSE-WILES BISCUIT CO.

I will appreciate your views on the business, financial and market situation of Loose-Wiles Biscuit. It seems to me that this company should benefit in inflation or business improvement, and I am considering the purchase of 100 shares to average a similar lot I bought at 70¼ but I will be guided by your advice.—J. F. S., Cincinnatio, O.

The initial quarterly report of Loose-Wiles Biscuit Co. for 1933 should be regarded as rather favorable, in the light of conditions existing during that period. Net income for the three months ended March 31, last, amounted to $365,097, equal, after allowing for Federal taxes, depreciation and interest, as well as dividend requirements on the 7% preferred stock, but before appropriation for sinking fund requirements, to 58 cents a share on the common stock. Comparative figures for the like period of 1932 were $423,067 or 65 cents a share, on a slightly larger number of shares out-

standing. It should be remembered that the first quarter of 1933 represented a period in which business and industry were practically at a standstill, because of the unsatisfactory banking situation throughout the country, resulting in the now famous "bank holiday." Doubtless, the second quarter report will prove more favorable reading. As a matter of fact, it would not be surprising that the improvement registered during the second three months period will be sufficient to enable the company to report a favorable showing for the first half of 1933, in comparison with the initial six months of last year. Obviously, by virtue of the fact that the company has maintained a strong trade and financial position throughout the entire depression, further increases in business and industrial activity should result in additional earnings gains for the company. The products of Loose-Wiles are distributed under the trade name "Sunshine" and enjoy a nation-wide popular demand. The current annual dividend rate of $2 a share appears secure, and we look upon the common shares as offering interesting possibilities from the standpoint of income and profits. You, therefore, might take advantage of any temporary price weakness to accumulate additional holdings to average the cost of your present commitments.

Appraising the Prospects of Leading Van Sweringen Lines

(Continued from page 227)

against 80 cents a year ago. Latest car-loadings figures show a gain of 9.1% for the week ended May 20; 10.2% for the three weeks ended on that date, and 1.3 for twenty weeks.

Since railroad traffic usually follows general business activity and all indications seem to point to a major industrial upswing, still brighter days would seem to be in store for Chesapeake. The road's financial position is fairly comfortable, and should be swiftly improved, for it is in a position where gains in net income should closely approximate expansion in gross revenues. Paying $2.50 annually, the common still yields a little better than 6 per cent, at its current price around 40.

Chesapeake & Ohio may be regarded as the financial "feeder" of the Van Sweringen projects at this stage. For that reason, it would be logical to expect that a higher dividend rate will be established just as soon as earnings make such a course feasible.

It was after the Van Sweringens were well "on their way" with the Nickel Plate and the Chesapeake that they turned to the Erie, thinking they could "make it behave a lot better than it was doing." And that they did. In fact, the Erie did so well in the boom days, with earnings of $6.04 on the common in 1929, that many old denizens of Wall Street were forced to hedge a bit on their standing pronouncement that "Erie common will never pay a dividend."

As it happened, Erie common didn't pay a dividend, for earnings dropped off to $1.07 a share in 1930, and yearly deficits since then have averaged around $3. Although in splendid physical shape, Erie's financial condition has been weakened to such an extent that it has had to borrow $13,403,000 from the R. F. C.

With its main line running between New York and Chicago, the road has an important place on the railroad map in one of the most highly developed sections of the country. The total of operated mileage is about 2,300. Erie is primarily a coal road, bituminous and anthracite, in almost equal proportions, accounting for a total of more than 40% of traffic. To its credit, it may be said that in recent years there has been a marked gain in the proportion of manufactured and miscellaneous items in traffic composition, the latter classification making up about 26% of tonnage and approximately one-third of total freight revenues in 1931.

Some 55.4% of the total capitalization is funded debt, in the total amount of $267,189,924. And there are $47,904,400 first preferred and $16,000,000 second preferred stock ahead of the $151,116,700 common.

Erie, on the whole, has come through the depression quite well, considering. It entered the period in such high physical condition that it has been possible to absorb the shock of declining gross revenues, through operating economies, and present a relative degree of stability in net operating income. The road has been fortunate in having no early bond maturities. While its cash position is not entirely adequate, it recently received I. C. C. approval for an additional loan from the R. F. C. to meet May 1 interest, and it seems likely that cash requirements will be filled until deficiencies are met out of net revenues.

At the annual meeting, April 11, 1933, President Denny said that Erie should about earn interest charges this year. He declared the road to be in the best condition in its history, and said that a 20% increase in gross would result in a 60% gain in net income. It is important to note, therefore, that the turn has come in this direction. Car-loadings for the week ended May 20, showed a gain of 3.2%, against a loss of 0.5% in the three weeks ending on that date, and a decline of 11.6% in the twenty weeks. If the traffic upturn is maintained, even Erie common will have speculative possibilities over the longer term.

The venture into Missouri Pacific was the last broad step of the Van Sweringens toward railroad empire, and, to date, the least fortunate. Control was acquired with foreknowledge that "the railroad needed some capital readjustments," but they thought that the load of funded debt could be shifted "by voluntary process rather than as it is finally having to be done"—through receivership.

The Missouri Pacific story may be briefly told. Gross revenues expanded steadily up to 1929, helped greatly by increased crude oil production in Texas and Oklahoma. To provide increased facilities needed to handle expanding traffic, the road went deeper and deeper into debt, until its fixed income bearing obligations reached a ratio of two and one-half times the combined preferred and common stocks. When the depression "havoc" burst, traffic slumped severely, and earnings which had amounted to $10.47 per common share in 1929, disappeared into thin air.

In 1932 the deficit was fully $10,261,000. With maturities of $35,000,000 on May 1 of this year, it was inevitable that the system should go through its second reorganization in some sixteen years.

For the first three months of this year net operating income declined $1,195,000, to $583,000, despite a 15% cut in maintenance expenditures.

Missouri Pacific has a total funded debt of more than $410,000,000, ahead of its $71,800,100 5% cumulative preferred, and $82,839,500 common. This is quite a burden for the 7,500 miles of track, when it is considered that connecting lines run through sparsely settled areas, with so little manufacturing that traffic originating there depends upon such general business activity as will keep petroleum products, minerals, soft coal, sand and gravel, and crops moving in good volume.

With its main lines stretching due westward from St. Louis to Pueblo, Colorado, where they connect with the Denver & Rio Grande; and with lines running south and southwest from St. Louis, to New Orleans and Texarkana, with connections to El Paso and Houston and Galveston, Missouri Pacific is excellently situated to benefit from expansion of population and industry in

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the Southwest. Pending this longer term growth of its supporting territory, however, the system has suffered through loss of petroleum traffic to pipe lines and may have more of the same difficulty. But car-loadings have recently turned upward, with a gain of 2.4% for three weeks ended May 20.

It is usually not good policy to buy into a receivership, at least until the details are known, except in the case of first-lien obligations or others which are so well secured that they have discounted the worst. The equities, it is true, may speculatively reflect increasing traffic in the interim before reorganization plans are announced. But the general experience in the history of railroad reorganizations has been that equities are usually available at more favorable price levels, after assessments—if any—have been levied.

What Is the Outlook for Higher Stock Prices?

(*Continued from page* 212)

verted into net income, the president of one large Eastern trunk line putting the ratio as high as 80 per cent in the case of his road. Utilities have responded readily to the accelerating gain in electric power production, and reassurance as to the outworkings of the tax on domestic consumption of current, which it is now seen bears less heavily than was expected upon a great many companies.

The oil industry seems much nearer the planned economy that is contemplated for it, and there is encouragement in the recently announced reduction of one-third in the allowable East Texas oil field production authorized by the Texas Railroad Commission. The significance of this grows out of the fact that this field has been one of the most troublesome factors in overproduction.

Railway equipment stocks, which have long been depressed, are attracting more favorable notice, now that the carriers are handling more traffic and apparently are headed for operations in the black. Builders of locomotives and makers of materials and supplies for repairs and renewals seem likely to get some business before long.

Viewing the stock market as a whole, it may be assumed that, while stabilization of the dollar will temporarily be like a bucket of cold water dashed over Wall Street's hopes for more and better inflation, the soundest pillar of support will still remain. And that is the improving business situation. Increasing activity in industry and trade and transportation is likely to be translated into real earning power much more quickly than would have been the case a year or two years ago. Operating expenses have been cut all around; in fact, to such an extent that it is now estimated that in the steel industry, for instance, profits can be shown, on the average, with a 40 per cent level of production.

Business has been on the mend since July, 1932, and any retardation during the summer months may be viewed as seasonal and normal and in no way alarming. The same view applies to the stock market. A sustained reaction now should meet support around the high levels of last September. After stabilization around that level, the upward movement may be expected to be resumed in response to the normal progress of business recovery which should run into the usual accentuation in the fall.

The Wisest Course

Long-term investors may therefore hold, through any reaction at this stage, the common stocks which they have acquired at lower levels. And on sizable reaction it would be well to add to holdings in those industries which are showing the most promising signs of sustained recovery. For those who operate on the intermediate swings, the market should be considered as high enough for the present. Profits should be taken on strength and new commitments assumed on weakness only with a view to cashing in promptly on succeeding upswings.

Though stormy sessions, with sharp reversals in trend and not much progress in one direction or another, may follow upon attempts to stabilize the dollar, there is nothing in sight to change the conclusion that the long-term trend is still decidedly upward in response to national and world recovery in industry and trade.

Timken Roller Bearing

(*Continued from page* 231)

bearings are growing quite rapidly and would absorb all of the capital of this concern into profitable use again.

The common stock of the Timken Roller Bearing Co., currently selling on the New York Stock Exchange for about $30, represents all of the desirable features sought for in an investment of this kind. It now has prospects of increasing earnings out of which larger dividends than the current $0.60 rate could be paid, it may be held for the next several years in expectation that recovery would bring forth the volume of sales necessary to realize the full use of its facilities, and its potential earnings are more than it has heretofore shown.

Bank Deposits Guaranteed

(*Continued from page* 217)

an equal investment in the stock of a branch banking system covering a wide area, which might have one or more sections suffering from such unfavorable situations, would likely be unaffected. Also, a branch banking system in such situation is able to render assistance to the suffering localities, which is beyond the capacity of a local independent bank whose own affairs are jeopardized by the local depression, and invariably greatly increases the local distress by its drastic attempts at self-preservation.

Commercial banks will not be permitted to pay interest on demand deposits subject to check. If you wish to receive interest on your bank account, it must be deposited in the savings department of your bank, or in a savings bank, or you may make a time deposit payable at some future date, but these savings or time deposits can be withdrawn only at maturity. You will have to give your bank or your savings bank, or the postal savings system, the prescribed thirty or sixty days' notice to withdraw your money, and the bank will not be permitted to waive this provision as they now almost universally do. If you keep all your funds in savings accounts, drawing interests, and require some of these funds immediately, you can usually borrow from a commercial bank against your savings account as security.

All of the provisions of this new law are designed to eliminate unwholesome competition between banks, and particularly between savings banks, commercial banks, and investment bankers, and to confine each of these institutions to its legitimate and proper activity, as there is no doubt that the keen competition between bankers, leading them to engage in types of business for which their institutions are not designed, has been responsible for many of the difficulties from which not only the general public, but the banks themselves have suffered.

The Federal Reserve Board under this new law will regulate the amount of interest which may be paid by commercial and savings banks upon their various classes of time or savings deposits, so that all special inducements

to attract savings accounts and time deposits, will be eliminated, and those banks which can offer the greatest measure of high class management and willingness to serve the public in a proper manner, will compete successfully with institutions whose policies are guided by selfishness or the personal interest of the management.

A considerable portion of the law is directed toward the elimination of undue use of bank credit in speculative operation in real estate, commodities, or corporate securities. This general section is divided into three subsections, the first providing for completely divorcing securities affiliates which have been organized in recent years, by a large number of our prominent banks. These affiliates, whose principal business is in the purchase of corporate securities and their sale to the public, are to be, within two years, either entirely liquidated, or completely divorced from the bank with which they are now associated through interlocking directorates, or direct or indirect ownership by the bank. These provisions do not apply to bank stock holding corporations, which will be permitted to continue under strict supervision of the Federal Reserve Board.

The second group of provisions are directed toward preventing excessive loans to stock brokers, or the loaning of an immoderate portion of the bank's funds on corporate securities. All these regulations, which are too numerous to mention specifically, will keep the Federal Reserve Banks and the Federal Reserve Board so constantly advised of the activities of the member banks and each one of them, that the promotion of such speculative orgies as obtained in 1929, which would have been impossible without extravagant extension of bank credit, will not likely be repeated.

The third group of provisions is directed toward prohibiting private banking firms who are engaged principally in the business of originating and selling corporate securities, from receiving demand deposits. Our legislators do not appear to be unanimous in their opinions as to the wisdom or necessity of these latter measures. It is argued that the private banker of substantial affairs receives deposits only from friends, acquaintances, or those with whom his firm has large and intimate dealings. That he does not do a public banking business. That those who entrust their funds to him do so strictly upon their personal knowledge of and belief in his ficancial responsibility and integrity, and have not solicited and do not require political protection. The proponents of these measures argue their necessity on the basis of bringing

all banking institutions under central regulation, and it is on this basis these measures are included in the Act.

Summing up all the provisions of the law, many of which we have not specifically mentioned, the general purposes are: to secure safety for the depositor—to discourage unwiedly accumulation of idle funds, which is as uneconomic as any other form of hoarding—to eliminate the incentive for destructive banking competition. leading to unsound practices—to discourage excessive speculation and unwholesome manipulation of real estate, commodities, and securities markets with the assistance of bank credit—to encourage thrift by providing safety for moderate savings—to encourage investment in government and other sound securities by prohibiting the payment of excessive interest rates on deposits—to encourage the bank stockholder to take increased interest and participation in the management of his bank—to compel the large depositor, who is generally the controlling factor, to demand bank management of high character and ability—in short, to make our banking system sane for the banker, and safe for the depositor, who has been the real "forgotten man" in our financial system.

Editor's Note:

A strictly temporary insurance of deposits of individuals up to $2,500, available January 1, 1934, to all banks which can qualify, is provided in a last-minute amendment. State banks which have not joined the Federal Reserve System by July 1, 1934, when the permanent guarantee act becomes effective, may continue this limited insurance until July 1, 1936, but no longer. This provision is not mandatory, and it is doubtful if it receives wide support and participation.

Conditions Force Revival in Equipment Industry

(*Continued from page 229*)

As one of the leading makers of steel castings, its production goes into the construction of new motive power and rolling stock. Its principal railway repair product is chilled-iron car wheels, made by a wholly-owned subsidiary. Minor products are produced for machinery, steamship and other purposes. For many years the company has maintained a strong working capital position—something which the sharp ups and downs of the equipment industry seems to have forced upon management.

Among the car builders, the American Car & Foundry Co. takes first rank, as the world's largest maker of freight and passenger railway cars and car equipment. In its heyday this company was in an exceptionally strong position as to earnings and balance sheet. For years it was a sort of model of financial management, and its annual statements as to income and balance sheet position were used as a pattern for many other corporations. A dividend reserve was once set up, with the idea that it would provide for uninterrupted distributions to stockholders through the valleys of slackened demand. But this expedient availed little against the long downward trend of the last decade in car building.

Car Foundry is still in good financial shape. But the attrition of the lean years has reduced working capital from about $41,000,000 in 1927, to less than $25,000,000 at the close of the fiscal year ended April 30, 1932. Determined efforts have been made to diversify production. Through various subsidiaries, motor buses, motor boats, gasoline engines for land, air and marine transportation, and automotive parts are now being made. It is becoming quite an important factor in the last mentioned field, being the largest producer of carburetors. Although a broad car buying program would aid Car Foundry most, general business recovery is likely to present the first real opportunity for its diversification efforts to reveal their worth as profit makers.

General American Transportation Corp., formerly known as the General American Tank Car Corp., is a specialized railway car builder whose business, due to the increasing number of products shipped in tank cars (to which has recently been added beer), has held up very well. In 1932, $2.20 was earned per share of common, and dividends are currently being paid at the rate of $1 annually on the stock.

And there is Pullman, Inc. The original Pullman company broadened its equipment manufacturing business when it acquired the Haskell & Barker Car Co., Inc., at the time that branch of railway equipment was very active, back in 1922. Through its manufacturing subsidiary, Pullman now ranks up close to Car Foundry as a potential car maker, with large facilities for building both freight and passenger cars, and producing car wheels and castings. In financial strength, Pullman, Inc., easily leads the equipment list, and has few peers in other fields. Current assets were more than $75,000,000 at the end of 1932, of which about $38,000,000 was in cash and U. S. Government securities. This after payment of nearly $11,500,000 in unearned dividends. The current divi-

dend rate on the capital stock is $3 annually, despite the deficit of $1 a share in 1932. Although the cash position justifies this rate, the stock would undoubtedly be better regarded when dividends are no longer a drain on surplus.

In summary, the railway equipment situation boils down to this: purchasing has been in an almost continuous decline for the past ten years; meanwhile motive power and rolling stock have been wearing out, growing out-of-date and inefficient. Increased purchasing is on the cards, whether or not traffic expands as rapidly as the carriers wish. And no railroad cash is needed—for rolling stock is the original self-liquidating investment, and equipment trust notes always find a ready market.

Dynamite in Foreign Exchange

(*Continued from page* 220)

quoted in dollars would appear to her very dear, and her purchases from us together with the purchases of all the countries whose currencies are linked to sterling would be curtailed immediately. In a word our prices would be out of line with those of the rest of the world and we, in order to regain our business, would have to drop them, something which speculators undoubtedly would anticipate and the result would be a violent recession in our domestic price level. Can this be prevented?

It is possible perhaps for the Federal Reserve, the Bank of England and the Bank of France, acting in concert, to stabilize the exchanges temporarily. Stabilization around current levels, however, for any length of time will almost certainly be found impossible. To digress for a moment, it was mainly fear of a crash in foreign exchange, bringing in its train a crash of the domestic price structure, which has been behind our docile acceptance of defaults and partial payments on the War Debts. Had these been paid in full, it would have caused pressure on the exchanges, either now or in the future, and this is something we cannot afford to promote.

Unfortunately, when the dollar—as it must inevitably—commences to rise, we can pin little hope of preventing it from running away on Great Britain's Exchange Equalization Fund, or on our own if we had it. Yet this is being talked of as a remedy. Suppose we have such a Fund when the repatriation of American capital sets in. We would sell dollars and buy pounds and other currencies. Great Britain's Fund, of course, would do the same thing. But

in as much as we would be trying to keep the dollar below its economic level we should have to go on indefinitely selling dollars and buying other currencies and this would have the effect of permanent investment abroad on the part of the United States Goverment, something there is no reason to suppose that it wishes to do. The money could not be brought home for, if it were, the very thing would occur that we wish to avoid—a high price for dollars in the foreign exchange markets.

Moreover, what of the effects in foreign financial centers? It was the withdrawal of foreign balances which forced England off gold and started the train of events which pushed our commodity prices over the precipice. Are we going to be instrumental in causing another series of panics abroad which must inevitably react to our disadvantage?

Once the reaction in favor of the dollar and against foreign currencies sets in, there is only one thing which will prevent it going to undue lengths. This is a further injection of the "fear virus" on the part of Washington, causing another panic away from the dollar. So far as the exchange situation is concerned, it will do us no good to stabilize the dollar on a lower gold content, because as soon as we do this and confidence in the new money is restored American capital will come home anyway. This will force other currencies to a discount on the altered dollar and because the altered dollar will be worth less than the present one, the drop in the other currencies will carry them to lower real levels than they were prior to our abandonment of the gold standard. Consequently, any effect which falling foreign exchange rates may have upon our domestic price structure would be intensified.

There is another point which might be mentioned. The depreciated dollar is being hailed for the stimulation it is having on our export business. But what is now happening is not dissimilar from what happened after the War. For a number of years we financed ourselves to the greatest export business in the world by lending foreigners the money with which to buy from us. The flight of capital which is now taking place from these shores undoubtedly is doing exactly the same thing, for it makes dollars available to the foreigner just as if we had lent them. Previously when we stopped lending there was trouble. Is there any reason to suppose now that when we stifle our fears, stop sending our dollars abroad and try to bring them home again, there will be any less trouble?

It may be contended, of course, that the depreciation of the dollar abroad is only incidental to the making of necessary adjustments of the relationship between debtors and creditors at home, and that anything we shall have to pay elsewhere for the domestic adjustment will be worth it. From a national standpoint, this may be so. It is, however, open to considerable doubt as to whether one can really and satisfactorily adjust at home by causing an equivalent maladjustment abroad. Furthermore, there are individuals who have become involved directly—in contrast to all of us who are involved indirectly—in the exchange angle of the situation and who are likely to stand a disproportionate share of the trouble so obviously brewing. It would be well for these to remember that fundamentally the dollar is the strongest money in the world, that permanent depreciation in terms of other currencies is unjustified economically, and that in all probability not even we ourselves can keep the dollar permanently depreciated relative to other currencies if we are going to stop short of ruining it altogether.

Sustained Strength in Bonds

(*Continued from page* 223)

spell higher corporate earnings and, of course, greater ability to meet fixed charges. Companies previously in the red are now in the black and even those still in the red are less scarlet-hued. An improved fundamental position, coupled with some relief of the selling pressure on the part of shaky banks and other institutions brought about by the higher general price level, have combined to put speculative bonds higher—in some cases sensationally higher.

There is no reason to suppose that second grades, so long as they remain second grades, will fail to act true to form. In general they will follow the stock market. Each issue, however, as its fundamental position improves with the continued betterment in general business and a still higher price level, will gradually approach its ceiling and begin to act like a true bond rather than a stock. At this point it will be attractive to investors only if they can be reasonably certain of commodity price stabilization for, should commodity prices move still higher, holders will be penalized by a loss of purchasing power in both principal and interest, just as they are so obviously threatened now in the case of strictly high-grades.

This appears to afford the clue for logical action in purchasing bonds at the present time. As has been seen,

high-grades will not be attractive to the majority of individuals, while bonds whose fundamental position still re-remains thoroughly speculative after such an improvement in conditions as has taken place, may be considered to carry too much risk. The lower, medium-grades currently appear the most attractive, everything considered. This is a class in which a certain fundamental merit can be discerned clearly and yet are still sufficiently far from being high-grade to avoid the disadvantages of this division. The expected further improvement in business and prices will carry these lower, medium grades considerably higher. At the same time, any technical reaction that might take place is unlikely to be very severe, for their price is supported by a real improvement in position which will take a great deal more than technical considerations to impair.

Washington Becomes the Capital of Business

(*Continued from page* 215)

And by all reports Johnson is a star of the first magnitude. He was Bernard Baruch's army man in the War Industries Board, which did in the World War about the same job that is now contemplated in the war on depression. Baruch is quoted as saying that Johnson has a mind that is clear thinking incarnate. Baruch proposed him for this job, and is and will be an uncommissioned power in the background (if he is not designated as an advisor) through the mutual respect and confidence that exists between former chief and lieutenant. It is even talked in Washington that despite his failure to "go along" with President Roosevelt in all the latter's myriad revolutions Baruch may become a sort of general co-ordinator of all the Government's articulations with business. Johnson is a West Pointer; he resigned from the Army after the war and went into the agricultural implement manufacturing business; for the last few years he has been associated with Baruch. By the way, George N. Peek, one of the administrators of the agricultural relief act, was a Baruch right-hand man in the War Industries Board.

Johnson is a military man, but a Democrat. He is for action first, last and all the time, but the hand of iron is covered by a velvet glove. He may go into history as the initiator of the fusion of national political and economic control into a single entity; perhaps not. When the "war" is over we may go back to where we were. Probably not. The chances are that great history is being written, that the boundary between politics and economics will fade out, and that hereafter government will be more and more economic and economy more and more political. This is the most momentous and, perhaps, the most portentous aspect of the "new deal."

Are Oil Difficulties at An End?

(*Continued from page* 222)

est in the industry, will soon be able to operate on a highly profitable basis.

Past records, covering the years 1930, 1931 and 1932 and most of the first half of 1933, will mean little in appraising the earnings which should accrue under the stabilization program. It should be noted, however, that the record of the industry as a whole, as represented by its most prominent units, during the depression, has been good. On the average, the industry has maintained a relatively good volume of sales, and while net earnings after all charges, including depreciation and depletion, were meager or in some instances nil, maintenance of a strong financial position has been the rule rather than the exception.

A further aid in the oil situation is the legislation pending in Congress for control of industries in general. This includes a provision for two-year relaxation of the anti-trust laws. The effect of this in connection with oil would probably be to hasten several important consolidations which have been pending, including notably that of Standard Oil of New Jersey and Standard Oil of California.

To sum up, the three principal developments which, should they all materialize, would bring a final end to the difficulties which have beset the oil industry during the past few years, are (1) Decline of the east Texas oil field; (2) passage of oil control legislation by Congress, and (3) passage of the general industries bill by Congress.

Sherwin-Williams Co.

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mines. It even makes the tin containers for its paints and similar products.

With no funded debt, capitalization consists of $15,552,100 series "AA" 6%, cumulative preferred, and 635,583 shares of $25-par common. On this relatively small capitalization earnings have been quite substantial in good times, and even in the fiscal years ending August 31, 1930 and 1931, $4.14

and $3.62, respectively, was shown on the common, against $8.26 in 1929.

Having no funded debt and maintaining a strong treasury position, the management has been liberal in its dividend policy. Although net income was only $702,786 in 1932—a deficit of 44 cents a share on the common—$2,060,000 was distributed in common dividends. In spite of this, the cash position was improved, the item standing at $6,900,528 at the end of the fiscal period, against $5,702,057 the year before. The latest balance sheet, as of December 31, 1932, showed current liabilities down to $1,818,541, against which cash alone amounted to more than $6,300,000. Net working capital is around 20 million dollars.

After a gradual reduction during 1932 from the $1 quarterly rate paid throughout 1931, the common dividend was omitted in April this year. On past performances, it appears likely that payments will be resumed as soon as revived earnings warrant. At its current level around $33, therefore, Sherwin-Williams common, listed on the New York Curb Exchange, may be regarded as having further possibilities over the longer term.

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